

**Economic Development Authority
Statement of Financial Position**

| | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009 As of 2/28/09</u> |
|------------------------------------|--------------------|--------------------|-------------------|--------------------|--------------------|---|--------------------|----------------------------------|
| Beginning Fund Balance | \$67,909.76 | \$65,892.89 | \$76,700.96 | \$75,957.42 | \$65,006.23 | \$77,632.98 | \$114,079.65 | \$155,078.30 |
| Fees Received | \$20,000.00 | \$15,000.00 | \$2,900.00 | \$2,333.33 | \$32,166.67 | \$2,000.00 | \$31,233.33 | \$1,666.67 |
| Demolition Program | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$50,000.00 | \$30,000.00 | \$0.00 |
| Sign Grant Award Program | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$10,000.00 |
| E-Commerce Program | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$10,000.00 | \$0.00 |
| Pass thru Funding | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$4,717.00 | \$0.00 |
| Interest Earnings | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$814.88 | \$4,854.43 | \$1,856.61 |
| Total Revenue | \$20,000.00 | \$15,000.00 | \$2,900.00 | \$2,333.33 | \$32,166.67 | \$52,814.88 | \$80,804.76 | \$13,523.28 |
| Legal Fees | \$1,398.14 | \$2,869.19 | \$3,549.49 | \$3,084.52 | \$2,233.62 | \$3,175.13 | \$3,696.00 | \$2,953.50 |
| Professional Services | \$618.73 | \$70.64 | \$94.05 | \$0.00 | \$93.17 | \$193.08 | \$1,986.62 | \$1,575.00 |
| Sign Grant Awards | \$20,000.00 * | \$0.00 | \$0.00 | \$10,000.00 ** | \$15,143.13 ** | \$8,500.00 *** | \$6,152.59 | \$5,277.29 |
| SBDC Grant Award | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$3,000.00 |
| E-Commerce Grant Awards | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| W&M Tech and Business Center Grant | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$2,500.00 | \$0.00 | \$2,500.00 |
| Marketing | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$700.00 | \$890.01 |
| Pass thru Funding | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$4,717.00 | \$0.00 |
| Demolition Program | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$20,000.00 | \$0.00 |
| Existing Business Program | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$2,000.00 + | \$2,522.50 | \$0.00 |
| Postage | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$31.40 | \$32.90 |
| Travel (Mileage) | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Travel (Convention) | \$0.00 | \$1,252.10 | \$0.00 | \$0.00 | \$2,070.00 | \$0.00 | \$0.00 | \$0.00 |
| Community Bldg Rental | \$0.00 | \$0.00 | \$0.00 | \$200.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Total Expenses | \$22,016.87 | \$4,191.93 | \$3,643.54 | \$13,284.52 | \$19,539.92 | \$16,368.21 | \$39,806.11 | \$16,228.70 |
| Fund Balance | \$65,892.89 | \$76,700.96 | \$75,957.42 | \$65,006.23 | \$77,632.98 | \$114,079.65 | \$155,078.30 | \$152,372.88 |
| | | | | | | Designated - Sign Program | | \$7,426.99 |
| | | | | | | Designated - W&M Technology and Business Center | | \$2,500.00 |
| | | | | | | Designated - E Commerce Program | | \$10,000.00 |
| | | | | | | Designated - Demolition Program | | \$60,000.00 |
| | | | | | | Undesignated | | \$72,445.89 |

Notes:

* May 7, 2002 paid W&M Tech. & Bus. Center \$20,000

April 12, 2005 approved \$20,000 Grant for W&M Tech. & Bus. Center - \$10,000 paid April 14, 2005, **\$10,000 paid April 4, 2006

*** April 25, 2007 approved grant of \$2,500 to Williamsburg WiFi.

*** April 25, 2007 approved grant of \$7,500 to W&M Tech. & Bus. Center to be paid at \$2,500 per year for 3 years.

+ April 25, 2007 approved existing business program expenditure of \$2,000 for May 2007 event.

| | |
|---------------------------|---------------------|
| Cash | \$24,846.96 |
| LGIP Investments | <u>\$127,525.92</u> |
| Total Fund Balance | \$152,372.88 |



CITY OF WILLIAMSBURG

MEMORANDUM

TO: Economic Development Authority Members

DATE: March 4, 2009

SUBJECT: EDA Demolition Program Application – Rodeway Inn Properties

Neel Enterprises, LLC, owner of the Rodeway Inn properties at 1413 Richmond Road, and Legend Development Group Williamsburg (LDGW), contract purchaser of said property, have submitted a Demolition Loan Application for the redevelopment of this property into a new multiple tenant retail building. The application requests reimbursement of \$20,000.00 for each of the three parcels of property, after demolition of all the structures on the properties. One of the future tenants of the new retail building will be [Chipotle](#), with whom the City has been working as an economic development prospect for more than two years. Ed Kimble of Thalhimer is the agent for the lease of the remaining space in the building.

In the attached Real Estate Purchase and Sale Agreement, Jackalope Williamsburg LLC is listed as the purchaser. The attached Amendment to the Sale Agreement assigns the Agreement to LDWG, so LDWG is the joint applicant for this proposal. Also attached, you will find a Demolition Plan for the project.

LDWG is currently working through the City's Architectural Review and Zoning process and plans to purchase the property at the end of May. Demolition is planned to begin immediately after the sale of the property. After the sale of the property, Neel Enterprise will remove itself from the application.

The Demolition Loan Program is structured as a forgivable loan, which means that the \$20,000.00 loans would be forgiven by the amount of increased real property taxes paid on the redeveloped properties over a ten-year period. If the property is not redeveloped, the property owner is required to repay the loan, with no interest, to the EDA after ten years. (A copy of the Demolition Loan Program Guidelines is attached.)

Recommendation: That the EDA approve the Demolition Application submitted by Neel Enterprise and Legend Development Group Williamsburg to demolish all the structures at 1413 Richmond Road. This approval will be valid for a period of six months, until September 10, 2009.. Per the details of the amended Demolition Program, the EDA will loan. Legend Development Group Williamsburg \$20,000.00 for each property parcel (a total of \$60,000.00 for three parcels), contingent upon the Planning Department approval of the demolition of all the structures and staff's review of paid invoices for the demolition work.

Michele Mixner DeWitt
Economic Development Manager

LEGEND DEVELOPMENT GROUP WILLIAMSBURG, LLC

March 3, 2009

City of Williamsburg - Economic Development
401 Lafayette Street
Williamsburg, VA 23185
Attention: Michele DeWitt

RE: 1413 Richmond Road – Demolition Loan Program

Dear Michele,

Legend Development Group Williamsburg, LLC ("LDGW") is under contract to purchase the property located at 1413 Richmond Road, which is currently operating as a Rodeway Inn Motel. Neel Enterprises, LLC is the current owner of the property, and is a joint applicant for the Williamsburg Demolition Loan Program. Neel Enterprises, LLC will remove itself from the application after the property has been sold to LDGW, and the demolition will be completed by LDGW.

LDGW's intention is to redevelop this property by demolishing of all of the existing improvements, and constructing a new multiple tenant retail building in conformance with the City of Williamsburg architectural standards. We have been directed to this site by one of our clients, who is a well respected national quick service restaurant with a history of strong performance in the State of Virginia. Our client would occupy approximately half of the 5,000 square foot building that we are looking to construct.

The property is currently three separately platted lots. We are in the process of seeking site development plan approval through the City of Williamsburg Planning Department. As part of that process the planning department has required that we vacate the internal lot lines and creating a single parcel of property. We have submitted a proposed subdivision plat to start this process.

Pursuant to previous discussions that we have had, we would like to formally request that this project be approved for funding totally \$60,000 through the Demolition Loan Program based upon the current three lot configuration allowing \$20,000 of available funds per lot.

Our Demolition Loan Program application includes signatures from both the current property owner Neel Enterprises, LLC, and LDGW. LDGW expects to purchase the property in May or June of 2009, and to commence demolition of the existing improvements immediately thereafter. LDGW will be the entity that is seeking funding through the loan program to assist with our demolition.

Thanks in advance for your time and consideration for our application.

Sincerely,



Evan Lichtenfels

Legend Development Group Williamsburg, LLC

Williamsburg Demolition Loan Program

Sponsored by the Williamsburg EDA

The undersigned owner of the real property described below submits this application to the Williamsburg Economic Development Authority to obtain a forgivable demolition loan under the Authority's Demolition Loan Program.

I. Applicant Contact Information

- Applicant Name: Legend Development Group Williamsburg, LLC (as purchaser) & Neel Enterprises, LLC (as the current owner) – Joint Applicants.
- Applicant Address: 5150 E Yale Circle, Suite 400, Denver, CO 80222.
- Applicant Telephone Number: 720-529-2983
- Applicant Fax Number: 720-489-7711
- Applicant email address: erlichtenfels@gmail.com
- Joint Applicants: Neel Enterprises, 1213 Richmond Road, Williamsburg, VA 23185
757-344-1314

II. PROPERTY [*Attach Plat if Available*].

- Property Address: 1413 Richmond Road, Williamsburg, VA 23185
- Real Estate Tax Parcel No. _373-08-00-A1,B_____

Description of Structures to Be Demolished: 2 Existing Motel Buildings
Totaling 11,173 square feet.

- Will all structures be demolished? ☒ Yes
☐ No

[If answer is No, describe structures that will not be demolished and attach plat or sketch showing structures that will and will not be demolished].

Description of structures that will not be demolished: _____

I. TITLE:

A. Fee Simple Title is held by

☐ Individual. Complete Appendix A

☐ Corporation. Complete Appendix B

☒ Limited Liability Company. Complete Appendix C

☐ General or Limited Partnership. Complete Appendix D

☐ Trust. Complete Appendix E

☐ Other entity. Complete Appendix F

B. The Property is subject to the following lien(s), exclusive of liens for City of Williamsburg real property taxes.

☒ Deeds of Trust. (Neel Enterprises)

The property ☒ is subject to 1 deed(s) of trust.*

☐ is not subject to any deed of trust.

Deeds of trust are as follows:

Loan #1

Loan Number: _____

Approximate Balance: _____

Name of Payee: _____

Payee's Address: _____

Payee's Telephone No. () _____

Recorded at Deed Book Number _____ Page _____ or Instrument Number
080364 _____

*** PROPERTIES ON WHICH MORE THAN ONE LIEN OF ANY KIND IS PENDING, EXCEPT FOR PROPERTY TAXES THAT ARE ASSESSED BUT NOT YET DUE, ARE NOT ELIGIBLE FOR THE DEMOLITION GRANT PROGRAM UNTIL ALL SECOND OR SUBSEQUENT OUTSTANDING LIENS OF ANY KIND HAVE BEEN SATISFIED AND RELEASED.**

C. The Property is subject to the following leases and possessory interests.

The Property ☒ is

☐ is not occupied.

If the Property is occupied, describe the type of occupancy and provide the following information regarding each occupant:

Occupant's Name: Neel Enterprises, LLC

Occupant's Mailing Address: 1413 Richmond Road, Williamsburg, VA

Occupant's Telephone No. (757) 344-1314

Occupancy is: ☐ residential
☒ non-residential

Is occupancy under a written lease? ☐ yes
☒ no

[If answer is yes, attach a copy of lease]

[Attach separate sheet containing same information for each additional occupant].

II. DEMOLITION.

A. Probable Cost.

☐ The Applicant has obtained a proposal from a qualified demolition company to perform the proposed demolition that is acceptable to the Applicant. *[Attach a copy of the proposal].*

☒ The Applicant has not obtained a demolition proposal, but believes that the cost of demolition will be approximately \$100,000.00. *[Attach copies of any estimates upon which this opinion is based].*

B. Additional Funds.

Applicant has arranged ☐
☒ has not yet arranged to obtain the additional funds necessary for the demolition.

IV. DEMOLITION PROGRAM GUIDELINES AGREEMENT:

I/we agree to adhere to the demolition program guidelines as established by the Williamsburg EDA, a copy of which is attached hereto. In addition, should this application be approved, the undersigned understand that the following additional requirements will apply:

1. The deed of trust and promissory note will be prepared by the Authority's legal counsel acting solely for the Authority. If use of an irrevocable letter of credit is approved by the Authority's Directors, the letter of credit shall be obtained by the applicant and submitted the Authority's legal counsel for approval. You are encouraged to have the documents reviewed on your behalf by an attorney of your choice.
2. Upon being advised in writing of approval of your application, and as a condition of receipt of the grant, you must provide the Authority with a current certification prepared by a duly licensed attorney at law, or by a title insurer in form

satisfactory to the Authority's legal counsel, certifying that you are vested with fee simple title to the property and identifying all applicable exceptions, including, but not limited to all liens and encumbrances. The certification must be based upon an examination of the land records in the Clerk's Office for the Circuit Court of the City of Williamsburg and County of James City County, Virginia performed up to or beyond the date of the Authority's notification of grant approval. The grant will be subject to the approval by the Authority's legal counsel of the state of record title as reflected in the title certification. If title is not satisfactory, then the Authority's legal counsel will advise you and the Authority in writing of what will be required to resolve identified title objections. **IN ALL CASES WHERE A DEED OF TRUST IS USED TO SECURE THE LOAN, THE DEED OF TRUST SECURING THE LOAN FROM THE AUTHORITY MUST CONSTITUTE EITHER A FIRST OR SECOND LIEN ON THE PROPERTY.** The only other allowable lien is a lien for current real property taxes that are not yet due and payable. The Authority's legal counsel will record the deed of trust and will update the title to date of recordation to assure that no unacceptable changes in title have occurred. **IF THE DEED OF TRUST GIVEN TO THE AUTHORITY IS A SECOND LIEN DEED OF TRUST, THE NOTEHOLDER SECURED BY THE FIRST DEED OF TRUST MUST CONSENT IN WRITING TO THE DEMOLITION.**

(All fee simple owners of the Property must sign this application.)

Please submit the application to the Williamsburg Economic Development Office.
 401 Lafayette Street, Williamsburg, VA 23185
 Fax 757-259-8046

For more information, please contact:
 Michele Mixner DeWitt
 Economic Development Manager
 (757)220-6120; 259-8046 (fax)
mdewitt@williamsburgva.gov

For details about demolition permits, please contact:
 Williamsburg Code Compliance Office
 (757)220-6254
 e-mail at kkelly@williamsburgva.gov

INDIVIDUAL OWNERS' SIGNATURES

Date: _____, 20__

*Print Name*_____

Date: _____, 20__

*Print Name*_____

Date: _____, 20__

*Print Name*_____

Date: _____, 20__

*Print Name*_____

CORPORATION

Insert full name of Corporation Above

Date: _____, 20__

By _____

LIMITED LIABILITY COMPANY

LEGEND DEVELOPMENT GROUP WILLIAMSBURG, LLC
Insert full name of LLC Above

Date: _____, 20__

By _____
[] Member [x] Manager
Print Name Richard T. Will

Date: _____, 20__

By _____
[] Member [] Manager
Print Name _____

Date: _____, 20__

By _____
[] Member [] Manager
Print Name _____

Date: _____, 20__

By _____
[] Member [] Manager
Print Name _____

GENERAL PARTNERSHIP

Insert full name of General Partnership Above

Date: _____, 20__

By _____
General Partner
Print Name _____

Date: _____, 20__

By _____
General Partner
Print Name _____

Date: _____, 20__

By _____
General Partner
Print Name _____

Date: _____, 20__

By _____
General Partner
Print Name _____

LIMITED PARTNERSHIP

Insert full name of Limited Partnership Above

LIMITED LIABILITY COMPANY

NEEL ENTERPRISES, LLC
Insert full name of LLC Above

Date: 2/11/09, 20__

By [Signature]
☐ Member ☐ Manager
Print Name Vinny Ronvelia.

Date: _____, 20__

By Bina Ronvelia.
☐ Member ☐ Manager
Print Name Bina Ronvelia.

Date: _____, 20__

By _____
☐ Member ☐ Manager
Print Name _____

Date: _____, 20__

By _____
☐ Member ☐ Manager
Print Name _____

GENERAL PARTNERSHIP

Insert full name of General Partnership Above

Date: _____, 20__

By _____
General Partner
Print Name _____

Date: _____, 20__

By _____
General Partner
Print Name _____

Date: _____, 20__

By _____
General Partner
Print Name _____

Date: _____, 20__

By _____
General Partner
Print Name _____

LIMITED PARTNERSHIP

Insert full name of Limited Partnership Above

APPENDIX C – LIMITED LIABILITY COMPANY

Attach copy of deed if available

Attach a copy of the LLC's operating agreement

The LLC has 2 members whose names and addresses are as follows:

Member's Name: Bina Ronvelia 2318

Residence Address: 1413 Richmond Rd W169 VA.

Member's Name: Vinny Ronvelia 231

Residence Address: 1413 Richmond Rd W169 VA

Member's Name: _____

Residence Address: _____

Member's Name: _____

Residence Address: _____

Member's Name: _____

Residence Address: _____

The LLC has _____ manager(s) whose name(s) and address(es) are:

Manager's Name: _____

Residence Address: _____

Manager's Name: _____

Residence Address: _____

Manager's Name: _____

Residence Address: _____

AFFIDAVIT

I, **Bina Ronvelia**, after being duly sworn, hereby state that the following is true to the best of my knowledge and belief:

1. Neel Enterprises, LLC is the fee simple owner of certain real property located at 1413 Richmond Road in the City of Williamsburg, Virginia.
2. That I am one of only two members of Neel Enterprises, LLC. The other member of Neel Enterprises is my husband, Vinny Ronvelia.
3. That Neel Enterprises LLC, has entered into a contract for the sale of 1413 Richmond Road to Jackalope Williamsburg, LLC., dated on or about July 29, 2008, and further Agreement and Escrow Instructions dated December 18, 2008.
4. Jackalope Williamsburg, LLC shall, to the best of my knowledge, assign their rights and interests under the contract to Legend Development Group Williamsburg, LLC as the developer of the property.
5. Neel Enterprises, LLC and Legend Development Group Williamsburg, LLC are jointly applying for a Williamsburg EDA Demolition Loan Program to demolish the existing structures on the property.
6. The purpose of the joint application is to ensure that the current fee simple owners and developers of the property jointly begin the Demolition Loan Program application process as soon as possible.
7. It is the intention of Neel Enterprises, LLC to withdraw as an applicant for the Demolition Loan Program once fee simple title of the real property at 1413 Richmond Road has been conveyed to the purchaser and will request to withdraw by letter to the EDA after conveyance of fee simple title to the property is completed. Neel Enterprises, LLC will thereafter have no further participation in development of the property.
8. That after purchase of the property at 1413 Richmond Road, Legend Development Group LLC plans to demolish all of the structures at 1413 and to receive Demolition Loan Program Funds from the Williamsburg Economic Development Authority.

Given under my hand this 3rd day of March, 2009.

Bina Ronvelia
Bina Ronvelia



STATE OF VIRGINIA
CITY OF WILLIAMSBURG

This day appeared before the undersigned, a notary public in and for the above jurisdiction, **BINA RONVELIA**, who made oath before me that the above information is true to the best of her knowledge and belief.

March 3, 2009
Date

Donna Scott
Notary Public


My commission expires: 12-31-2010 Registration Number 183890

AFFIDAVIT

I, **Vinny Ronvelia**, after being duly sworn, hereby state that the following is true to the best of my knowledge and belief:

1. Neel Enterprises, LLC is the fee simple owner of certain real property located at 1413 Richmond Road in the City of Williamsburg, Virginia.
2. That I am one of only two members of Neel Enterprises, LLC. The other member of Neel Enterprises is my wife Bina Ronvelia.
3. That Neel Enterprises LLC, has entered into a contract for the sale of 1413 Richmond Road to Jackalope Williamsburg, LLC., dated on or about July 29, 2008, and further Agreement and Escrow Instructions dated December 18, 2008.
4. Jackalope Williamsburg, LLC shall, to the best of my knowledge, assign their rights and interests under the contract to Legend Development Group Williamsburg, LLC as the developer of the property.
5. Neel Enterprises, LLC and Legend Development Group Williamsburg, LLC are jointly applying for a Williamsburg EDA Demolition Loan Program to demolish the existing structures on the property.
6. The purpose of the joint application is to ensure that the current fee simple owners and developers of the property jointly begin the Demolition Loan Program application process as soon as possible.
7. It is the intention of Neel Enterprises, LLC to withdraw as an applicant for the Demolition Loan Program once fee simple title of the real property at 1413 Richmond Road has been conveyed to the purchaser and will request to withdraw by letter to the EDA after conveyance of fee simple title to the property is completed. Neel Enterprises, LLC will thereafter have no further participation in development of the property.
8. That after purchase of the property at 1413 Richmond Road, Legend Development Group LLC plans to demolish all of the structures at 1413 and to receive Demolition Loan Program Funds from the Williamsburg Economic Development Authority.

Given under my hand this 3rd day of March, 2009.



Vinny Ronvelia 3/3/09

STATE OF VIRGINIA
CITY OF WILLIAMSBURG

This day appeared before the undersigned, a notary public in and for the above jurisdiction, **VINNY RONVELIA**, who made oath before me that the above information is true to the best of her knowledge and belief.

March 3, 2009
Date



Notary Public



My commission expires: 12-31-2010 Registration Number 183890

REAL ESTATE PURCHASE AND SALE AGREEMENT AND ESCROW INSTRUCTIONS

THIS AGREEMENT is made as of the Effective Date (as defined immediately before the parties' signatures below) by and between NEEL ENTERPRISES, LLC, a Virginia limited liability company ("Seller") and JACKALOPE WILLIAMSBURG, LLC, a Colorado limited liability company, or assigns ("Buyer").

1. Recitals. Seller desires to sell to Buyer approximately 42,301 square feet of improved real property commonly known as 1413 Richmond Road, Williamsburg, VA, together with certain related personal property, intangible property, licenses, and leasehold interests, all in accordance with the terms, conditions, and covenants of this Agreement. Buyer desires to acquire from Seller that real property, together with that certain related personal property, licenses, and leasehold interests, all in accordance with the terms, conditions, and covenants of this Agreement. In consideration of the mutual agreements, covenants, and promises contained in this Agreement, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties have executed this Agreement to set forth the terms and conditions upon which such transfer shall take place.

2. Property. Subject to the terms, covenants, and conditions of this Agreement, Seller shall sell and transfer to Buyer, and Buyer shall purchase and acquire from Seller, all of Seller's right, title, and interest in and to the following (collectively, the "Property"):

- (a) the land more particularly described in the legal description attached as Exhibit A to this Agreement (the "Land");
- (b) a building containing approximately 11,723 square feet with associated parking areas, improvements, systems, landscaping and fixtures situated upon the Land (the "Improvements");
- (c) all furniture, personal property (tangible or intangible), machinery, apparatus, and equipment currently owned by Seller and used in the operation, repair, and maintenance of the Land and the Improvements and situated thereon (collectively, the "Personal Property");
- (d) all existing leases affecting the Property (the "Leases") and any security deposits actually held by Seller with respect to the Leases;
- (e) subject to paragraph 10 below, all contracts and agreements relating to the operation, maintenance, or repair of the Land or Improvements the terms of which extend beyond midnight of the day preceding the Close of Escrow (the "Contracts"); and

(f) all transferrable consents, authorizations, certificates of occupancy, dedications, subdivision maps, entitlements, variances or waivers, licenses, permits, and approvals that are issued by any governmental or quasi-governmental entity or instrumentality and that solely affect the Land or the Improvements.

3. Escrow Instructions. Seller and Buyer shall open an escrow (the "Escrow") with Stewart Title of Virginia, Inc., Attn: Timothy L. Akers - Central Virginia District Manager, at 1802 Bayberry Court - Suite 305, Richmond, Virginia 23226, acting with a local title and closing agent (the "Escrow Agent"). This Agreement shall constitute joint escrow instructions by Buyer and Seller to Escrow Agent.

4. Purchase Price. The purchase price (the "Purchase Price") to be paid for the Property shall be \$[REDACTED] payable as follows:

(a) Buyer shall deposit with Escrow Agent \$25,000 (the "Earnest Money") on or before the Opening of Escrow (as that term is defined in paragraph 5 below); and

(b) on or before the Close of Escrow, Buyer shall deposit with Escrow Agent for Seller's account the balance of the Purchase Price, which shall be adjusted by the amounts necessary to take into account the prorations and other adjustments specified in this Agreement, including, but not limited to, any adjustment pursuant to subparagraph 12(e) below.

5. Opening of Escrow.

(a) The Escrow shall be deemed to open (the "Opening of Escrow") when the Earnest Money and three copies of this Agreement executed by Buyer and Seller have been delivered to and accepted by Escrow Agent. Escrow Agent shall give Buyer and Seller prompt written notice of the date of Opening of Escrow and any other dates under this Agreement that are measured from the Opening of Escrow. Escrow Agent shall deliver one executed copy of this Agreement to both Buyer and Seller and shall retain one copy of this Agreement for its records.

(b) Escrow Agent is authorized and directed to deposit promptly the Earnest Money in a federally insured money market account, subject to immediate withdrawal without penalty, in a commercial bank. If Escrow Agent requires additional or different authorizations or directions prior to depositing the Earnest Money as provided above, then Escrow Agent shall obtain all necessary authorizations or directions promptly and with diligence. If the Close of Escrow occurs, the Earnest Money (and the interest earned thereon) shall be applied by Agent for the benefit of Buyer

to the payment of the Purchase Price. If, pursuant to this Agreement, Buyer is entitled to a refund of the Earnest Money, then Escrow Agent shall immediately refund the Earnest Money (and any interest earned thereon) to Buyer. Buyer and Seller agree that Escrow Agent need not provide notice to or obtain further instruction from either of them to pay the Earnest Money to Seller or Buyer as provided in this section. If the Earnest Money is paid to either party upon the termination of this Agreement and the Escrow, then neither party shall have any further obligation or liability under this Agreement except for the obligations specified in this Agreement to survive the termination of this Agreement or the Escrow.

6. Close of Escrow. The Escrow shall be deemed to close (the "Close of Escrow") when the Deed (as defined below) is recorded by Escrow Agent. The Close of Escrow shall occur thirty (30) days after the delivery of the Approval Notice or on an earlier date, if agreed by both parties in writing. The Close of Escrow shall occur at Escrow Agent's office or at any other location specified in writing by both parties.

7. Buyer's Investigations.

(a) Within ten (10) business days after the Opening of Escrow, Escrow Agent shall deliver to Buyer and Seller a current title commitment for an ALTA Extended Owner's Policy of Title Insurance for the Land, together with legible copies of any matters referred to in the title commitment or report as exceptions to or affecting title to the Property (collectively, the "Title Commitment"), and Seller shall provide all of the following items that are in Seller's possession:

- (1) copies of any existing plans and specifications for the Improvements (the "Plans and Specifications");
- (2) copies of any unrecorded planning documents, soil reports, hydrological reports, existing survey and environmental reports, and environmental test results;
- (3) copies of any management or service agreements regarding the Property, any unrecorded easements or agreements relating to access and utilities, known to Seller, and any other operational agreements that affect the Property known to Seller.
- (4) copies of real estate tax bills for the current and prior year;
- (5) copies of any written licenses, permits, approvals, variances and applications therefor, and other documents that have

been issued by any governmental or non-governmental entity affecting the ownership, development, use, or occupancy of the Property, including without limitation any notices of violations concerning the Property or its use.

(6) INTENTIONALLY OMITTED

(7) copies of all Leases, accompanied by a tenant ledger for the previous six months, the most current expense reconciliation, and a current rent roll (the "Rent Roll") including the name of the tenant; space identification; square feet; security deposit; prepaid rent; monthly rent and escalations (amounts and dates); "pass through" or net charges; prorata share of "pass through" or net charges; lease commencement and expiration dates; options or renewals and terms; and current delinquencies, with a complete description.

Seller's files relating to the Property shall be available for review by Buyer upon reasonable advance notice to Seller at Seller's office during Seller's normal business hours.

(b) INTENTIONALLY OMITTED

(c) Seller shall have no liability to Buyer in connection with any report, survey, study, plan, or investigation provided by Seller or by a third party for Seller's and/or Buyer's benefit, and it is expressly understood and agreed that Buyer shall look solely to the third party for recovery of any loss, claim, or damage sustained by Buyer as a result of any act or omission of the third party in the performance of its engagement.

(d) Buyer and its agents shall have the right to enter upon the Land or the Improvements at reasonable times prior to the Close of Escrow to inspect the Land or the Improvements and to prepare and obtain any tests, surveys, or studies that Buyer may desire. Buyer shall defend, indemnify, and hold Seller harmless for, from, and against any and all claims, demands, actions, liabilities, and obligations (including, but not limited to, mechanics' and materialmen's liens) arising from any exercise of the rights granted to Buyer under this subparagraph. Buyer's obligations under the preceding sentence shall survive the Close of Escrow or the termination of this Agreement and the Escrow. Buyer shall restore the Land and the Improvements to their condition prior to Buyer's testing and inspection promptly upon completion of each test or inspection.

(e) Buyer shall have the right until the 60th day after the Effective Date to determine in its sole and absolute discretion whether the Property

is satisfactory for Buyer's purposes (the "Inspection Period"). If Seller fails to deliver all of the items set forth in subparagraphs (a) or (b) above to Buyer within the periods specified, the Inspection Period shall be extended one day for each day thereafter until all the required items have been delivered to Buyer.

8. Buyer's Permit Period. Buyer shall have the right until the 90th day after the expiration of the Inspection Period to process any applications or requests for zoning, platting or other governmental approvals, permits or certifications that Buyer may deem appropriate in connection with Buyer's intended development or use of the Property including site plan approval (the "Permit Period"). Seller shall cooperate with Buyer in connection with Buyer's applications and requests for approvals, including executing such documents connected therewith as Buyer shall reasonably request, provided that Seller shall not be required to incur any expense or obligation in connection with such applications and requests. Buyer shall have a one time right to extend the Permit Period for an additional sixty (60) days by delivery of written notice to Seller that Buyer wishes to exercise such option. If Buyer does not deliver to Seller, on or before the expiration of the Permit Period, written notice that the Property is satisfactory to Buyer (the "Approval Notice"), then this Agreement shall automatically terminate, the Earnest Money (and any interest earned thereon) shall be immediately returned to Buyer by Escrow Agent, and neither party shall thereafter have any further obligation to the other hereunder except for Buyer's indemnity obligation set forth in subparagraph (d) above.

Seller has informed Buyer that Seller's franchise agreement with Choice Hotels International, Inc. permits Seller to terminate the franchise agreement upon NINETY (90) days written notice; and, that, otherwise, Seller is obligated to pay the franchisor a financial penalty. Notwithstanding any provision of this Agreement, Buyer agrees that, upon conclusion of the various study/permit periods permitted Buyer herein, if Buyer elects to proceed with the transaction herein, Buyer, at Buyer's sole election, will either: 1) provide Seller adequate time between Buyer's notification of intention to close and the closing for Seller to avoid penalty with its franchisor; or 2) Buyer will reimburse Seller for any financial payment Seller is required to pay its franchisor for early termination of franchise.

9. Title and Survey Matters.

(a) Buyer may object to any matter disclosed in the Title Commitment or the Survey provided by Buyer by delivering written notice (the "Objection Notice") to Seller and Escrow Agent at any time on or before the expiration of the Inspection Period. Any Objection Notice shall

specify in reasonable detail the particular matter to which objection is made. If Buyer fails to deliver an Objection Notice with respect to the Survey and the Title Commitment on or before the expiration of the Inspection Period, then Buyer shall be deemed to have approved all title and survey matters. If Escrow Agent subsequently issues any amendment to the Title Commitment that discloses (i) any additional exceptions to title or (ii) any changes in the legal description, then Buyer shall be entitled to object to the additional matter by delivering an Objection Notice to Seller and Escrow Agent within 10 days after Buyer's receipt of the amendment to the Title Commitment. If Buyer fails to deliver an Objection Notice with respect to any matter disclosed by any amended Title Commitment on or before the last day of the applicable time period, or if Buyer elects not to terminate this Agreement prior to the expiration of the Inspection Period as permitted by subparagraph 7(e) above, then Buyer shall be deemed to have approved the matter. All matters approved or deemed approved by Buyer pursuant to this subparagraph (a) or pursuant to subparagraph (b) below are referred to in this Agreement collectively as the "Permitted Title Exceptions." On or before the Close of Escrow, Seller shall cause all financial encumbrances and other liens to be removed as exceptions to title, except for the liens for taxes not then due and payable, and any liens arising through Buyer or Buyer's employees or agents (the "Permitted Liens").

(b) If Buyer timely delivers an Objection Notice, then Seller may (but shall not be obligated to) attempt to resolve any matter specified in the Objection Notice, or may notify Buyer in writing as to which (if any) of such matters Seller agrees to resolve prior to Close of Escrow. If, as of the date that is 10 days prior to the then-scheduled date for the Close of Escrow, Seller has not removed or satisfied any matter that is contained in an Objection Notice, then Buyer shall have the option to (i) waive the objection and close the Escrow subject to the matters to which Buyer has objected, or (ii) terminate this Agreement and the Escrow by delivering written notice to Seller and Escrow Agent prior to the then-scheduled date for the Close of Escrow. If Buyer terminates this Agreement pursuant to this subparagraph, then the Earnest Money (and any interest earned thereon) shall be returned to Buyer. If the Close of Escrow occurs notwithstanding Seller's failure to remove any matter contained in any Objection Notice, then Buyer shall be deemed to have elected to waive the objection and close the Escrow subject only to the Permitted Title Exceptions.

(c) If the Title Commitment is amended shortly before the Close of Escrow, then the Close of Escrow shall be extended if, and to the minimum extent necessary: (i) to provide Buyer the period provided in subsection (a) above to deliver an Objection Notice; and (ii) to provide Seller a reasonable period to cure the matter(s) to which Buyer has objected, if Seller elects to do so.

10. Contract Matters. On or before the expiration of the Permit Period, Buyer shall notify Seller in writing if Buyer elects to assume any of the Contracts at the Close of Escrow. If Seller does not receive any such notice, all Contracts shall be deemed "Disapproved Contracts." All Disapproved Contracts shall be terminated by Seller on or prior to the Close of Escrow at no expense to Buyer.

11. Leasing Matters.

(a) Seller shall use good faith reasonable efforts to obtain from all of the tenants of the Property estoppel certificates in a form provided by Buyer (collectively, the "Estoppel Certificates") and subordination agreements in the form requested by Buyer's lender. Seller shall circulate the Estoppel Certificates and proposed subordination agreements to the tenants within five (5) days after the expiration of the Permit Period. If Seller fails to obtain Estoppel Certificates from all tenants of the Improvements on or before the date which is five days prior to the then-scheduled date for Close of Escrow (the "Estoppel Date"), or if any Estoppel Certificate asserts material facts inconsistent with the Rent Roll, then (i) Buyer may terminate this Agreement and the Escrow by delivering written notice to Seller and Escrow Agent within 24 hours after the Estoppel Date, or (ii) at Buyer's election, Seller shall deliver a certificate confirming the accuracy of the Rent Roll as to the leases of the tenants which did not deliver Estoppel Certificates. If Buyer fails to deliver a notice of termination pursuant to the preceding sentence, then Buyer shall be deemed to have waived its right to terminate this Agreement pursuant to this subparagraph. If Buyer terminates this Agreement pursuant to this subparagraph, then the Earnest Money (and any interest earned thereon) shall be returned to Buyer.

(b) From the Effective Date until the Close of Escrow, Seller shall not execute any new leases or amend, terminate, or accept the surrender of any existing tenancy or approve any sublease or assignment of any Lease (collectively, a "Lease Event") without first obtaining Buyer's Consent. If any Lease requires the construction of tenant improvements or the payment of any leasing or brokerage commissions by the landlord, then Seller agrees to pay (or at the Close of Escrow credit Buyer for) the entire cost of the tenant improvements or commissions and any other costs associated with that lease unless Seller and Buyer expressly agree in writing to the contrary.

12. Closing Matters.

(a) On or before the Close of Escrow, Seller shall deliver or cause to be delivered to Escrow Agent for Buyer's account the following, each duly executed by Seller and, if appropriate, acknowledged:

- (1) a Special Warranty Deed for the Land in a form reasonably acceptable to Buyer and Seller (the "Deed");
 - (2) a Real Property Declaration pertaining to the Property;
 - (3) a Nonforeign Affidavit in customary form;
 - (4) a Blanket Assignment of the Leases, the Contracts, the Intangible Rights, the Warranties and Guaranties, and the Plans and Specifications, in the form attached hereto as Exhibit B; and
 - (5) such other funds, instruments, or documents as may reasonably be necessary to fulfill the covenants and obligations to be performed by Seller pursuant to this Agreement.
- (b) On or before the Close of Escrow, Buyer shall deliver or cause to be delivered to Escrow Agent for Seller's account all funds necessary to pay the balance of the Purchase Price (which shall be adjusted by the amounts necessary to take into account the prorations and other adjustments specified in this Agreement) and such other funds, instruments, or documents as may be reasonably necessary to fulfill the covenants and obligations to be performed by Buyer pursuant to this Agreement

(c) The escrow fee payable to Escrow Agent for the conveyance and transfer of the Property to Buyer shall be shared equally by the parties. All other fees, recording costs, charges, or expenses incidental to the transfer of the Property to Buyer shall, except as otherwise expressly provided in this Agreement, be paid according to the custom of real estate transactions then being consummated in the county in which the Property is located.

(d) It is the intention of the parties that Seller be responsible for all costs and obligations relating to the Property and accruing on or prior to the Close of Escrow (except as otherwise expressly agreed by Buyer) and that Buyer shall be responsible for all costs and obligations relating to the Property and accruing after the Close of Escrow (except as otherwise expressly agreed by Seller). In furtherance of this objective, each of the following shall be prorated as of midnight at the end of the day of the Close of Escrow and shall be adjusted against the Purchase Price due at the Close of Escrow: (i) accrued rents; (ii) accrued triple-net charges and normally prorated operating expenses billed or actually paid as of the Close of Escrow; and (iii) amounts owed by Seller or paid under any Contracts that are not Disapproved Contracts. All prorations shall be

made on a 365-day calendar year basis, based on the actual number of days in the applicable month.

(e) Within 120 days after the Close of Escrow, Buyer and Seller will make a further adjustment to the prorations made pursuant to subparagraph (d) above for amounts which accrued prior to the Close of Escrow but that were not paid as of that date. Buyer shall use its best efforts (without being required to initiate legal actions or cause eviction of tenants) during the 6-month period immediately following the Close of Escrow to collect and promptly remit to Seller rents and other amounts due Seller for the period prior to the Close of Escrow. Buyer shall apply any rents or amounts received first to Buyer for any and all amounts due for periods after the Close of Escrow, and second for the account of Seller for amounts due to Seller for periods prior to the Close of Escrow. Buyer's obligations under this subparagraph shall survive the Close of Escrow.

(f) All security deposits being held by Seller with respect to the Leases shall be paid or credited to Buyer at the Close of Escrow.

(g) Real estate taxes, personal property taxes, and special assessments relating to the Property for the year in which the Close of Escrow occurs shall be prorated as of the Close of Escrow. If the Close of Escrow shall occur before the actual taxes and special assessments payable during that year are known, then the proration of those taxes and assessments shall be made upon the basis of the taxes and assessments for the Property payable during the immediately preceding year.

(h) If the Escrow fails to close because of Seller's default, then Seller shall be liable for all customary escrow cancellation charges. If the Escrow fails to close because of Buyer's default, then Buyer shall be liable for all customary escrow cancellation charges. If the Escrow fails to close for any other reason, then Seller and Buyer shall each be liable for one-half of all customary escrow cancellation charges.

(i) Each party represents and warrants to the other that no real estate sales or brokerage commissions, finders fees, or similar payments are or will be due in connection with this transaction as a result of any act of the party so representing and warranting. Each party shall defend, indemnify, and hold the other harmless for, from, and against any other claims made as a result of any act of the party so representing for real estate sales or brokerage commissions, finders fees, or similar payments in connection with the transaction contemplated by this Agreement, as well as all costs and expenses incurred by the indemnitee in connection therewith, including, but not limited to, reasonable attorneys' fees. The indemnification obligations in this subparagraph (i) shall survive the Close

of Escrow or the termination of this Agreement. If the Escrow fails to close for any reason, no broker shall have any right to any portion of the Earnest Money (or any interest earned thereon) released to Seller or returned to Buyer pursuant to this Agreement.

(j) Upon and as a condition of Buyer's obligation to close the Escrow, Escrow Agent shall be unconditionally and irrevocably committed to issue to Buyer its ALTA extended coverage owner's policy of title insurance, in the full amount of the Purchase Price, insuring that Buyer holds fee simple title to the Property subject only to (i) the usual exceptions, stipulations, and conditions appearing in the printed form of the policy, (ii) the Permitted Title Exceptions; and (iii) the Permitted Liens. Buyer shall pay the premium for a standard coverage owner's title insurance policy in the amount of the Purchase Price. Buyer shall pay the difference between the cost of standard and extended coverage and the cost of any endorsements requested by Buyer. Buyer shall pay the entire premium for any lender's policy with respect to the Property. In lieu of an extended coverage owner's policy, Buyer may waive extended coverage and elect to receive a standard coverage owner's policy in the amount of the Purchase Price at Buyer's expense.

13. Buyer's Representations and Warranties. Buyer covenants, represents, and warrants to Seller that the following are true in all material respects as of the Effective Date, and in entering into this Agreement, Seller is relying upon, the following.

(a) To Buyer's knowledge, there is no litigation, investigation, or proceeding pending, contemplated, or threatened against Buyer that would impair or adversely affect Buyer's ability to perform its obligations under this Agreement or any other instrument or document related to this Agreement.

(b) Except as expressly provided in paragraph 14 below, Seller and its employees, agents, representatives, and attorneys have not made, nor has Buyer relied on, any representations, warranties, guarantees, or promises (whether oral, written, or implied) regarding the condition or value of the Property or the suitability of the Property for Buyer's intended use or for any other use.

(c) Buyer acknowledges and agrees that it is acquiring the Property in an "as is" and "where is" condition, without warranty, express or implied, except for the specific representations and warranties of Seller contained in paragraph 14 below of this Agreement. Prior to the Close of Escrow, Buyer will have conducted its own investigation of the Property, the physical conditions thereof, and all other matters and items that, in Buyer's judgment, affect or influence Buyer's use of the Property,

including, but not limited to, all matters with respect to taxes, bonds, zoning classifications and stipulations, covenants, conditions, and restrictions, easements, and matters affecting title to the Property. Buyer is relying solely on its own inspection and examination of the Property and such matters and items as Buyer deems appropriate in purchasing the Property from Seller, and Buyer hereby releases Seller with respect to all conditions relating to the Property except as set forth in paragraph 14 below.

14. Seller's Representations and Warranties. Seller covenants, represents, and warrants to Buyer that the following are true in all material respects as of the Effective Date, and in entering into this Agreement, Buyer is relying upon, the following.

(a) Seller is a limited liability company duly organized and validly existing under the laws of the State of Virginia. Seller's execution and delivery of this Agreement and the consummation of the transactions contemplated and required by this Agreement will not result in any violation of, or default under, any term or provision of any agreement, instrument, mortgage, loan agreement, or similar document to which Seller is a party or any judgment, decree, order, injunction, rule, or governmental requirement to which Seller is subject. Seller is not a partner or joint venturer with Buyer in connection with the transactions contemplated by this Agreement, and is entering into this Agreement and any other contract, instrument, and document contemplated by this Agreement voluntarily and solely for its own benefit. Seller has the full power and authority to enter into and perform this Agreement according to its terms, and the individual executing this Agreement on Seller's behalf is authorized to do so, and upon that individual's execution hereof, this Agreement shall be binding and enforceable upon Seller in accordance with its terms.

(b) Seller is not a foreign person, as that term is defined under Section 1445 of the Internal Revenue Code.

(c) To Seller's knowledge, there is no litigation, investigation, or proceeding pending, contemplated, or threatened against Seller or the Property that would impair or adversely affect Seller's ability to perform its obligations under this Agreement or under any contract, instrument, or document related to this Agreement.

(d) To Seller's knowledge, there are no existing, pending or anticipated condemnation or similar proceedings against or involving the Property.

(e) Except as disclosed by any environmental report delivered to Buyer by Seller, Seller has received no notice of, has not authorized, and has not caused, the use, generation, release, transportation, storage, disposal, or treatment of any Hazardous Material (as defined below) on, at, to, or from the Property, except in quantities and by methods that did not violate any then-existing applicable law. As used in this subparagraph (e), the term "Hazardous Material" shall mean any hazardous, flammable, explosive, corrosive, or toxic chemical, material, or substance that is regulated under any federal, state, or local law, regulation, ordinance, order, or other legal requirement concerning public health, safety, or the environment.

(f) Seller has not received notice from any governmental authority having jurisdiction over the Property requiring any work to be done or otherwise adversely affecting the Property.

(g) Except as may be described in the Title Commitment or as otherwise described in this Agreement, there are no agreements, commitments, or understandings by or between Seller and any third party pursuant to which Seller or its successors in interest are required to dedicate any part of the Property, or to grant an easement, water right, right-of-way, road, or license with respect to any part of the Property. Seller represents that its Franchise Agreement with Choice Hotels International, Inc. does not permit the franchisor to substitute another franchisee in the place of Seller upon Seller's giving notice to the franchisor of franchise termination.

(h) There are no tenant improvement obligations for payment or any leasing or brokerage commissions now or in the future due and outstanding for any of the Leases. To Seller's knowledge and except as may otherwise have been disclosed to Buyer, there are no existing defaults by either landlord or tenant with respect to any of the obligations in the Leases, nor does any state of facts that with notice or the passage of time (or both) would result in a default under any of the Leases.

If, prior to the Close of Escrow, either party receives notice or obtains knowledge of any information that indicates that any of the foregoing representations or warranties is untrue, then that party shall promptly advise the other in writing of its notice, information, or knowledge. If the change arises through Seller's acts or is caused by Seller, the change shall constitute a default by Seller. If any change in the representations or warranties does not arise through Seller's acts or is not caused by Seller, then the change shall constitute only the failure of a condition but shall not constitute a default by Seller. If Buyer (i) becomes aware of any change in the accuracy of the statements set forth in this paragraph 14, (ii) does not notify Seller of that change as required by this paragraph 14, and (iii) proceeds to Close the Escrow notwithstanding the change, then Buyer shall be

deemed to have waived the representation or warranty violated and Seller shall have no liability to Buyer under this Agreement for that representation or warranty, to the extent waived. The representations and warranties of Seller set forth in this paragraph 14 shall survive the Close of Escrow for a period of one year. Buyer agrees for itself and its successors and assigns to commence any legal action for breach of any representation or warranty within one year of Close of Escrow, and Buyer, for itself and its successors and assigns, hereby waives all rights and remedies against Seller or its successors or assigns for any alleged breach of a representation or warranty as to which a legal action has not been commenced within the 1-year period.

15. Damage, Destruction or Condemnation. Buyer shall have the right to terminate this Agreement and the Escrow if the Improvements are damaged by casualty, taken in condemnation or other similar proceedings, or if a notice of proposed condemnation affecting a material part of the Property is received by either Buyer or Seller before the Close of Escrow (for the purposes of this Agreement, a taking for a limited or indefinite term shall be deemed to be equivalent to a transfer of fee title). If either party receives a notice of a proposed condemnation, then it shall deliver a copy of the notice to the other party immediately, and in no event more than five days after receipt of the notice. If Buyer fails to terminate this Agreement and the Escrow within ten days after receipt of either (i) notice that all or a material portion of the Property has been destroyed, rendered completely untenantable, taken by condemnation or other similar proceedings, or (ii) a notice of condemnation affecting a material part of the property, then Buyer shall be deemed to have waived its right to terminate the Agreement pursuant to this section. If Buyer waives (or is deemed to have waived) its right to terminate this Agreement pursuant to this section, or if Buyer is not entitled to terminate this Agreement pursuant to this section because only a nonmaterial portion of the Property has been destroyed or taken (or is proposed to be taken by a notice of condemnation), then (x) there shall be no reduction in the Purchase Price, except that Buyer shall receive a credit against the Purchase Price for all insurance or condemnation awards and proceeds previously received by Seller, and (y) Seller shall assign to Buyer at the Close of Escrow all of Seller's right, title, and interest, if any, in and to any insurance or condemnation award made or to be made in connection with the destruction or the condemnation proceedings with respect to the Property. If Buyer terminates this Agreement pursuant to this section, then the Earnest Money (and any interest earned thereon) shall be returned to Buyer.

16. Risk of Loss. Subject to paragraph 15 and to Buyer's indemnity obligations specified in subparagraph 7(d) above, the risk of loss or damage to the Property prior to the Close of Escrow shall remain with Seller.

17. Assignment. Buyer may assign his interest in this Agreement, so long as gives written notice of such assignment to Seller and Escrow Agent at least three business days prior to Close of Escrow.

18. Seller's Remedies. If Buyer defaults under this Agreement prior to the Close of Escrow, then Seller's sole right and remedy shall be to terminate this Agreement and the Escrow by notice to Buyer and Escrow Agent and to be paid the Earnest Money (and any interest earned thereon) as liquidated damages and not as a penalty. Buyer and Seller hereby acknowledge that actual damages in the event of Buyer's default would be difficult to calculate with certainty and agree that the Earnest Money (and any interest earned thereon) is a reasonable approximation of actual damages. Seller waives and covenants not to assert any other rights and remedies for a default by Buyer. If Buyer defaults under this Agreement after the Close of Escrow, then Seller may (i) institute all proceedings necessary to specifically enforce the provisions of this Agreement, or (ii) perform Buyer's obligations and be reimbursed by Buyer for all amounts expended by Seller in performing Buyer's obligations. Notwithstanding Seller's waiver of certain rights and remedies in this section, any obligation of either party to indemnify the other in accordance with this Agreement shall be specifically enforceable.

19. Buyer's Remedies. If Seller defaults under this Agreement prior to the Close of Escrow, then Buyer shall give notice to Seller of Seller's default. If Seller fails to cure the default within ten days after receipt of Buyer's notice of default (or within a reasonable time if the default cannot reasonably be cured within ten days), then Buyer may elect one of the following: (i) terminate this Agreement by written notice to Escrow Agent and Seller; (ii) waive the default and consummate the transaction contemplated by this Agreement in accordance with the terms and conditions of this Agreement; or (iii) institute all proceedings necessary to specifically enforce this Agreement. If Buyer terminates this Agreement and the Escrow, then the Earnest Money (and any interest earned thereon) shall be refunded promptly to Buyer and Buyer shall have the right to recover from Seller all Buyer's actual out-of-pocket expenses relating to due diligence regarding the Property, including loan application fees and related costs.

20. Miscellaneous Provisions.

(a) Notices and other deliveries pursuant to this Agreement may be delivered by private messenger service, mail, or overnight courier. Any notice or document required or permitted to be delivered by either party shall be in writing and shall be deemed to be given on the date received by (or on the date receipt was refused by) the party; provided, however, that all notices and documents mailed to a party in the United States Mail, postage prepaid, certified mail, return receipt requested, shall be deemed to have been received 5 days after mailing; provided further that notices delivered by overnight courier shall be deemed received the next judicial day after deposit with a reputable overnight courier service for overnight delivery. The address of the parties shall for all purposes be the following,

unless otherwise changed by the party by notice to the other as provided in this subparagraph:

If to Seller:

NEEL ENTERPRISES, LLC
Attn: VINAY RONVELIA
1413 RICHMOND ROAD
WILLIAMSBURG, VA 23185

If to Buyer:

JACKALOPE WILLIAMSBURG, LLC
Attn: Rick Will
5150 E. Yale Circle
Suite 400
Denver, CO 80222

(b) Seller acknowledges that some principals of Buyer may be licensed real estate brokers acting on their own behalf in this transaction, and that neither Buyer nor such principals have any agency or fiduciary duties to Seller.

(c) If either party commences litigation or other legal proceedings against the other party to enforce the provisions of this Agreement, then the prevailing party in the proceeding shall be entitled to recover its costs and expenses, including, but not limited to, reasonable attorneys' fees and expert witness fees. Any award of attorneys' fees shall be determined by the court and not a jury.

(d) This Agreement, together with any exhibits, schedules, and other matters attached hereto (which are hereby incorporated herein by reference) constitutes one entire contract between the parties. All terms, conditions, representations, warranties, understandings, and interpretations contained in any other oral or written communications between the parties are hereby superseded. In executing this Agreement, the parties acknowledge that they are relying solely on the matters set forth in this Agreement, and not on any other inducements, written or oral, by the other party or by any agent, employee, or representative thereof.

(e) No modification of this Agreement shall be effective unless it is in writing and signed by all of the parties to this Agreement. No waiver of any term or condition of this Agreement shall be effective unless it is in writing and signed by the party against whom the waiver is sought, and then only in the particular circumstances specified in the writing. No failure by a party to exercise any right or privilege provided by this Agreement, or to require the timely performance of any obligation set forth in this Agreement in strict accordance with its provisions, shall preclude the exercise of those rights or privileges or the enforcement of those obligations in different circumstances or upon the reoccurrence of the

same or similar circumstances. Moreover, the exercise of any remedy provided at law, in equity, or in this Agreement shall not impliedly preclude the exercise of any other remedy except when, and only to the extent that, the other remedy is expressly forbidden or limited by the provisions of this Agreement.

(f) Each party, promptly upon the written request of the other or Escrow Agent, shall execute (and have acknowledged, if appropriate) and deliver to the other or to Escrow Agent, or as may be otherwise reasonably designated, all additional instruments reasonably requested to evidence or give effect to this Agreement, whether this request is made before or after the Close of Escrow.

(g) Any time this Agreement grants to either party the right to approve or disapprove of any matter, that party's approval shall not be unreasonably withheld, conditioned, or delayed, except as otherwise specifically provided in this Agreement.

(h) This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties.

(i) Time is of the essence for the performance or satisfaction of all requirements, conditions, or other provisions of this Agreement.

(j) Except as may otherwise be expressly provided in this Agreement, the time for performance of any obligation under this Agreement shall expire at 5:00 p.m. (Denver, Colorado time) on the last day of the period allowed. If the time for performance of any obligation under this Agreement expires on a Saturday, Sunday, or legal holiday observed by the United States District Court for the District of Colorado, then the time for performance shall be extended to the next succeeding day that is not a Saturday, Sunday, or legal holiday observed by such court. The time in which any act is to be performed under this Agreement shall be computed by excluding the first day and including the last day.

(k) All amounts payable under this Agreement must be paid in the lawful money of the United States of America, by wire transfer, cashier's check, or other immediately available funds.

(l) This Agreement shall be governed by and construed in accordance with the laws of the State of Virginia.

(m) As used in this Agreement, the masculine, feminine, and neuter gender and the singular or plural shall each be construed to include the other whenever the context so requires. This Agreement shall be construed as a whole and in accordance with its fair meaning, without

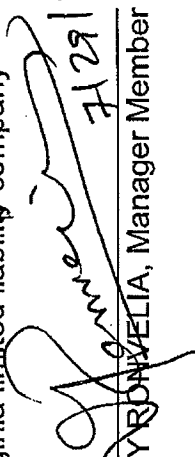
regard to any presumption or rule of construction causing this Agreement or any part of it to be construed against the party causing the Agreement to be written. The parties acknowledge that each has had a full and fair opportunity to review this Agreement and to have it reviewed by counsel. If any term, condition, or covenant of this Agreement is deemed to be invalid, illegal, or unenforceable, then the invalidity, illegality, or unenforceability shall not affect the remaining portion of that provision or any other provision of this Agreement. Each provision of this Agreement shall be deemed to be severable from all of the other provisions. If any words or phrases in this Agreement have been stricken, whether or not replaced by other words or phrases, this Agreement shall be construed (if otherwise clear and unambiguous) as if the stricken matters never appeared and no inference shall be drawn from the former presence of the stricken matters in this Agreement or from the fact that any matters were stricken. The table of contents and descriptive headings of the paragraphs, sections, and other portions of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

(n) Either party, by notice to the other, may assign the legal interests in this Agreement to a qualified tax-deferred exchange intermediary for the purpose of effecting a tax-deferred, like-kind exchange. The other party shall reasonably cooperate with the party wishing to assign its interest; provided, however, that the other party shall not be required to incur any additional costs, liabilities, or delays in connection with this assignment.

IN WITNESS WHEREOF, Seller and Buyer have executed this Agreement in counterparts, each of which may contain fewer than all of the signatures but all of which together shall constitute a single instrument effective for all purposes as of the date on which both parties have signed at least one counterpart. Signature pages from different counterparts may be detached and assembled to form one or more original document(s). If this Agreement is not so signed and delivered by both parties on or before July 23, 2008, Buyer's offer to purchase the Property on the terms and conditions contained herein shall be deemed withdrawn and of no further effect.


SELLER:

NEEL ENTERPRISES, LLC
a Virginia limited liability company

By  7/29/08
VINAY RONGVELIA, Manager Member

BUYER:

JACKALOPE WILLIAMSBURG, LLC,
a Colorado limited liability company

By 
Richard T. Will
Manager

ESCROW AGENT ACCEPTANCE:

Escrow Agent hereby agrees to be bound by the provisions of and to perform its obligations as set forth in this Agreement, and to prepare and file all necessary information, reports, and returns regarding the transactions contemplated by this Agreement that may be required by the Internal Revenue Code of 1986 (the "Code"), including, but not limited to, Internal Revenue Service Form 1099-B and all other forms required by Section 6045 of the Code, but only to the extent that such provisions apply to sales of Real Property. Escrow Agent agrees to indemnify, hold harmless, and defend Buyer and Seller for, from, and against all claims, costs, and liabilities arising from Escrow Agent's failure to file all reports and forms reasonably required to be filed under the Code, including, but not limited to, reasonable attorneys fees.

ESCROW AGENT:

Dated: _____

By _____

EXHIBIT A

Legal Description of Property

WALTHALL PARCEL "B"

EXHIBIT B

General Assignment

BLANKET ASSIGNMENT AND BILL OF SALE

THIS BLANKET ASSIGNMENT AND BILL OF SALE is executed as of the ____ day of _____, 2008, by _____ ("Assignor") to _____ ("Assignee").

1. Recitals. Assignor owns certain land and improvements located in _____, commonly known as _____ and more particularly described in Schedule A attached hereto (the "Property"). Concurrently with the execution and delivery hereof, Assignor has executed and delivered to Assignee a Special Warranty Deed (the "Deed") granting and conveying Assignor's undivided interest in the Property to Assignee. Assignor desires to transfer to Assignee Assignor's entire interest in all fixtures, fittings, appliances, apparatus, equipment, machinery, contract rights, claims, trade names, warranties and guaranties, and other items of personal property (excluding cash), owned by Assignor and affixed or attached to, or placed or situated upon, or used or acquired in any way whatsoever in connection with the complete and comfortable use, enjoyment, occupancy or operation of the Property, except those owned by tenants of the Property (collectively, the "Assigned Properties").

2. Assignment. For good and valuable consideration in hand paid by Assignee to Assignor, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby transfers and assigns Assignor's entire interest in the Assigned Properties to Assignee, free and clear of all security interests, liens, claims and encumbrances of any nature whatsoever, except those set forth in the Deed, including without limitation the following.

- (a) those certain leases and rental agreements (the "Leases") relating to the use and occupancy, present or future, of the Property, including those referred to on the Rent Roll attached hereto as Schedule B, and in the security deposits made pursuant to the Leases, all as set forth in the Rent Roll;
- (b) all right, title and interest of Assignor in and to all tangible personal property situated upon or used in connection with the complete and comfortable use, enjoyment, occupancy or operation of the Property, owned by Assignor and not owned by tenants of the Property;
- (c) all right, title and interest of Assignor in and to the rights and interests of Assignor in and to, and existing under and by virtue of, any existing service contracts relating to the Property;
- (d) all right, title and interest of Assignor in and to all assignable warranties and guaranties (express or implied), if any, issued in connection with or arising out of the purchase, maintenance or repair of all fixtures, equipment and personal property owned by Assignor and attached to and located in or used in connection with the

Property or the construction or repair of any of the improvements located on the Property;

(e) INTENTIONALLY OMITTED

(f) all right, title and interest of Assignor in and to any proceeds payable pursuant to policies of insurance owned by Assignor pertaining to the Property with respect to casualty losses occurring prior to the date hereof;

(g) all assignable right, title and interest of Assignor in and to all licenses, permits and certificates pertaining to the Property; and

(h) INTENTIONALLY OMITTED

TO HAVE AND TO HOLD the Assigned Properties unto Assignee, their respective successors and assigns, forever, and Assignor does hereby bind itself and its representatives and successors to **WARRANT and FOREVER DEFEND**, all and singular, title to the Assigned Properties unto Assignee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof, by, through or under Assignor but not otherwise.

3. Indemnity. Assignor agrees to indemnify and defend Assignee against any and all losses incurred by Assignee which may result from any claims brought against Assignee relating to causes of action arising from any act, omission or obligation of Assignor under the Leases or any of the other Assigned Properties prior to the Effective Date.

IN WITNESS WHEREOF, Assignor has executed this Blanket Assignment and Bill of Sale as of the Effective Date.

ASSIGNOR:

_____ /
a _____

By _____

SCHEDULE A

Legal Description

SCHEDULE B

Rent Roll

NONE

FIRST AMENDMENT TO REAL ESTATE PURCHASE AND SALE AGREEMENT AND ESCROW INSTRUCTIONS

This First Amendment to Real Estate Purchase And Sale Agreement And Escrow Instructions ("First Amendment") is executed by and between JACKALOPE WILLIAMSBURG, LLC, a Colorado limited liability company ("Buyer"), and NEEL ENTERPRISES, LLC, a Virginia limited liability company ("Seller") on this 18th day of December, 2008.

RECITALS:

- A. Buyer and Seller executed that certain Real Estate Purchase And Sale Agreement And Escrow Instructions with an Acceptance Date of July 29, 2008 (the "Agreement") pursuant to which Buyer is to purchase from Seller tract or parcel of land located at 1413 Richmond Road in Williamsburg, Virginia ("Property").
- B. Seller and Buyer have agreed to amend the Agreement according to the terms and conditions set forth herein.
- C. Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the Agreement.

AGREEMENTS:

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, the parties hereto agree as follows:

1. Section 8. The Permit Period shall be amended and hereinafter be defined as the "180th day after the expiration of the Inspection Period."
2. Buyer: Jackalope Williamsburg, LLC shall hereby assign all right and interests under the Agreement to Legend Development Group Williamsburg, LLC a Colorado Limited Liability Company, as "Buyer."
3. Buyer and Seller hereby represent and warrant to the other party that the persons executing this First Amendment have the full power and authority to execute this First Amendment and to bind the parties hereto.
4. This First Amendment may be executed in counterparts. Each party may execute a copy of this First Amendment, separately, and when each party has executed a copy thereof, such copies taken together shall be deemed to be a full and complete contract between the parties.

The parties agree the following paragraph is included in the contract:

Seller has informed Buyer that Seller's franchise agreement with Choice Hotels International, Inc. permits Seller to terminate the franchise agreement upon NINETY (90) days written notice; and, that otherwise, Seller is obligated to pay the franchisor a financial penalty. Notwithstanding any provision of this Agreement, Buyer agrees that, upon conclusion of the various study/permit periods permitted Buyer herein, if Buyer elects to proceed with the transaction herein, Buyer will either: 1) provide Seller adequate time between Buyer's notification of intention to close and the closing for Seller to avoid penalty with its franchisor; or 2) Buyer will reimburse Seller for any financial payment Seller is required to pay its franchisor for early termination of franchise.

At Buyers
Sole
election;



pw

5. This First Amendment contains the entire understanding and agreement between the parties hereto with respect to the subject matter hereof, and all prior negotiations, agreements and understandings, oral or written, are merged herein and superceded hereby.

6. IN WITNESS HEREOF, the parties have executed this First Amendment as of the date first set forth above.


BUYER:

JACKALOPE WILLIAMSBURG, LLC,
a Colorado limited liability company

By: 
Name: Paul T. Will
Title: Manager

SELLER:

NEEL ENTERPRISES, LLC, a Virginia
limited liability company

By: 
Name: Ginny Ravelier
Title: owner/manager 12/18/08

Date: December 18, 2008

| REVISED | REVISION / COMMENT | DATE |
|---------|--------------------|------|
| 1 | 03/26/09 | ARD |

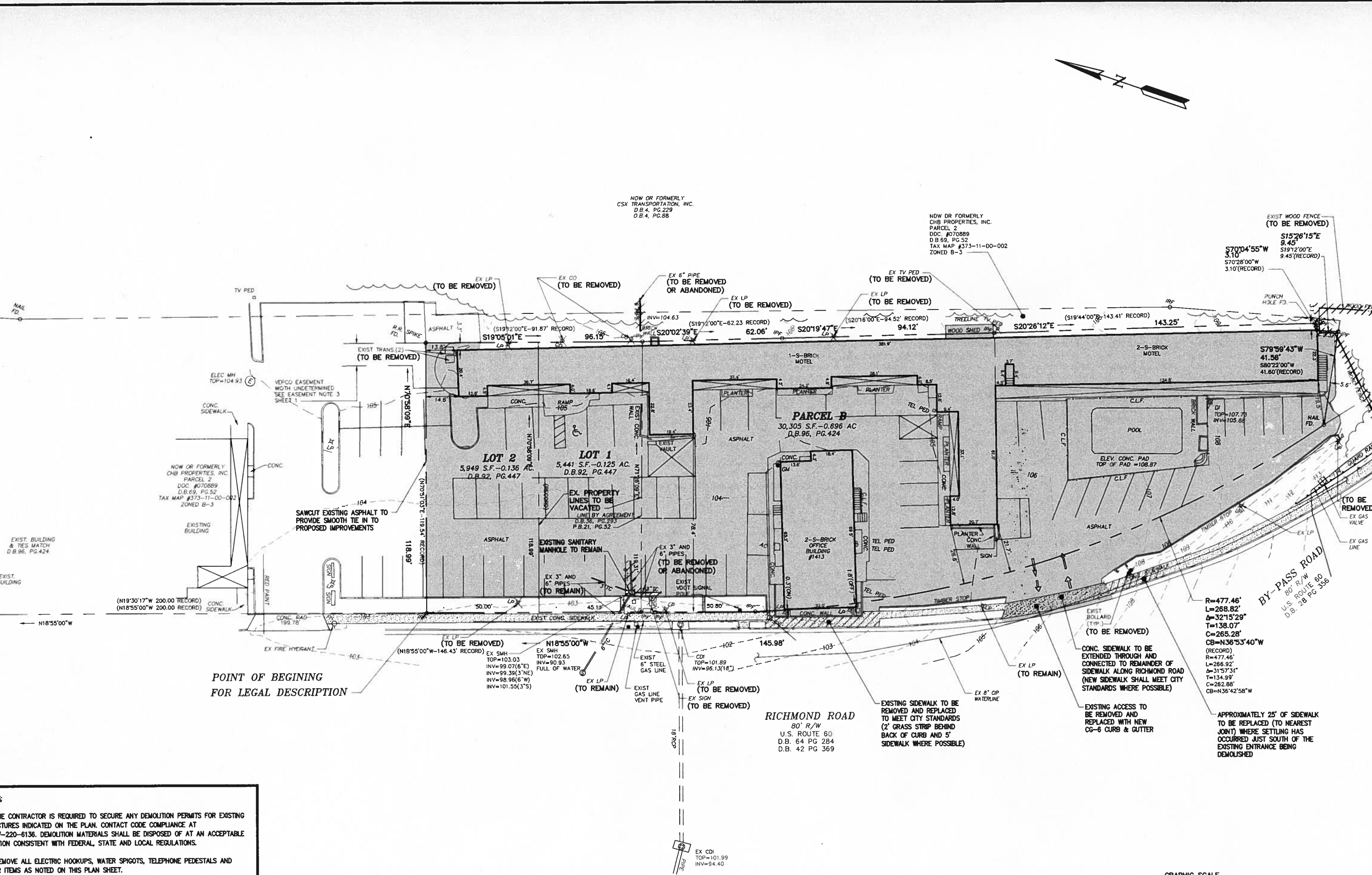


5248 Old Towne Road, Suite 1
Williamsburg, Virginia 23188
(757) 253-0040
Fax (757) 220-9894



DEMOLITION PLAN 1413 RICHMOND ROAD

| | |
|-----------------------|------------------|
| Designed TRC | Drawn ARD |
| Scale 1"=20' | Date 01/26/09 |
| Project No. W10027 | |
| Drawing No. 02 | |



THE CONTRACTOR IS REQUIRED TO SECURE ANY DEMOLITION PERMITS FOR EXISTING STRUCTURES INDICATED ON THE PLAN. CONTACT CODE COMPLIANCE AT 1-220-6136. DEMOLITION MATERIALS SHALL BE DISPOSED OF AT AN ACCEPTABLE LOCATION CONSISTENT WITH FEDERAL, STATE AND LOCAL REGULATIONS.

REMOVE ALL ELECTRIC HOOKUPS, WATER SPIGOTS, TELEPHONE PEDESTALS AND ITEMS AS NOTED ON THIS PLAN SHEET.

AWCUTTING SHALL BE PERFORMED ON EDGES OF PAVEMENT AND CONCRETE DEMOLITION.

ALL EXISTING ASPHALT ON SITE SHALL BE REMOVED.

CONTRACTOR SHALL OBTAIN A LIST FROM THE OWNER OF ITEMS TO BE REMOVED.

EXISTING UTILITY LINES NO LONGER NECESSARY (I.E. ELECTRIC, GAS, WATER) SHALL BE REMOVED IN AREAS WHERE DISTURBANCE IS SHOWN.

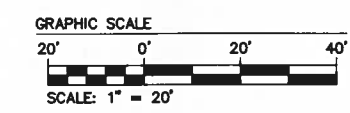
THE CONTRACTOR SHALL BE RESPONSIBLE FOR CONTACTING MISS UTILITY (410-552-7001) FOR EXISTING UTILITY LOCATIONS AT LEAST 3 WORKING DAYS PRIOR TO COMMENCING CONSTRUCTION, AND A PRIVATE UTILITY LOCATOR FOR THE LOCATING PRIVATE UTILITIES.

DEMOLITION LEGEND

AREAS TO BE DEMOLISHED

ITEMS TO BE REMOVED

ITEMS TO BE REMOVED



Williamsburg Economic Development Authority Demolition Loan Program
Approved by the EDA – January 30, 2007, revised April 25, 2007, revised December 18, 2007

The City's commercial areas are visible indicators of the social and economic health of the community. While most commercial districts of the City are economically viable and physically attractive, the City Goals and Initiatives, Comprehensive Plan, and Economic Development Strategic Plan identify a few commercial areas as having underused commercial properties with redevelopment potential. These areas include:

- Lower Richmond Road between Brooks Street and Ironbound Road
- Monticello Avenue and Mount Vernon Avenue in the vicinity of the former hospital
- Second, Penniman, and Page Streets
- Capitol Landing Road
- York Street
- Henry Street between Lafayette Street and Prince George Street, and between Ireland Street and Mimosa Drive
- Commercial areas from North Boundary Street, Richmond Road, and both sides of Scotland Street

Purpose

The purpose of the Williamsburg Commercial Revitalization and Redevelopment Program is to provide tools to encourage enhancements in commercial areas of the city. The program will encourage redevelopment of underused commercial properties in order to improve the economic vitality of commercial areas from functional and aesthetic perspectives. One of the elements of the Revitalization Program is the Economic Development Authority's Demolition Loan Program.

Demolition Program Details

The Demolition Program will be administered by the Williamsburg EDA. The Demolition Program will provide loans for the demolition of qualified, underused commercial properties in order to help move these properties to the redevelopment market.

Loan Details

A 0% interest, forgivable loan is available for the demolition of underused commercial properties. The maximum amount of any loan will be 100% of the total cost of demolition or \$20,000, whichever is less. The funds will be disbursed as a 0% interest loan, to be forgiven over 120 months (ten years), by the amount equal to the post redevelopment increase in real property taxes that are paid on new improvements constructed on the property during the 120 consecutive months subsequent to demolition (the land value will not be included). The 120-month period will start the first day of the calendar month immediately following completion of demolition. Any remaining balance not forgiven by the amount of the post-redevelopment increase in real property taxes must be repaid to the EDA at the end of the 120-month period. The loan will be evidenced by a non-interest-bearing promissory note secured by either a deed of trust lien on the property or a letter of credit issued by a bank with an office in the greater Williamsburg Area, using a form and content acceptable to the EDA, with a value equal to the entire amount of those funds being borrowed pursuant to the program, and which shall remain in effect during the entire life of the promissory note. Said note shall be

personally endorsed by all fee simple owners of the property unless the EDA specifically waives the personal endorsement requirement, in writing . In the case of property owned in whole or in part by any entity, if such entity is a closed corporation, all stockholders of the corporation shall endorse the note; if an LLC, all members of the LLC shall endorse; if a general partnership, all partners shall endorse; if a joint venture, all venturers shall endorse; and in the case of a limited partnership, all stockholders, members or other principals of the general partner shall endorse the note, unless the EDA specifically waives the endorsement requirement. In that instance, the applicant will present the appropriate corporate resolution authorizing the application, the terms of the promissory note, execution of the note and deed of trust or letter of credit, and all program requirements. Said note may be assumed by future owners of the property. Additionally, the EDA may agree to subordinate the loan.

Eligibility and Procedural Guidelines

1. All fee simple owners of the property must sign the application.
2. Awarded funds will be disbursed to the applicant upon satisfactory completion of the project and submission of all receipts for the work performed.
3. Completion of the project must occur within six months of the EDA approval.
4. Awards are not retroactive. The demolition loan must be approved before any demolition activity begins.
5. All applicable City regulations and approvals must be obtained before the demolition commences.
6. Real Property Tax Assessments values for the forgivable loan are determined by the City of Williamsburg Tax Assessor.
7. Demolition projects involving more than one tax parcel may be considered as separate projects for purposes of loan applications and awards, notwithstanding common ownership.

Application Process

Applications will be accepted by the EDA starting July 1 of each program year. After June 30 of each year, any nonfunded or unapproved applications must reapply before they can be considered for funding under the next year's program.

Selection Criteria

Applications will be approved on a first come, first served basis. If simultaneous applications are received, the selection criteria to be used by the EDA in evaluating the applications shall include:

1. Preference will be given to properties located in one of the above listed redevelopment areas.
2. The potential impact on the attractiveness of the City's commercial areas.
3. The condition and use of the existing structure(s) on the property.
4. The property's potential for improved economic vitality, functionality, and aesthetics.

Publicity and Acknowledgement

Applicants will receive public recognition for participating in the program. If appropriate, a sign will be placed on the property identifying the project as being affiliated with the Williamsburg Commercial Revitalization Program. Upon satisfactory completion of the project, the application will receive a commendation from the EDA.

Funding

The program may distribute a total of \$60,000 per annum, subject to appropriation from City Council to the EDA. On June 30 of each year, any uncommitted funds shall be designated for the program in the following fiscal year.

Application Information

Contact the Williamsburg Economic Development Office at (757)220-6120 or via email at mdewitt@williamsburgva.gov for more information.

Example Demolition Award Scenario

- Qualified Property costs \$30,000 to demolish.
- Forgivable Loan can equal 100% of the cost (\$30,000), or \$20,000, whichever is less.
- In this case \$20,000 is less than \$30,000, so the program awards \$20,000.
- The \$20,000 award is a 0% interest loan, forgivable by the amount of increased real property tax paid on the improvements on the property for the next 10 years. Any remaining balance must be repaid to the EDA after 10 years.
- Ten Year Real Property Tax Assessment Scenario:
 Current Real Property Tax Assessment on Improvements = \$500,000 (Pre-Demolition Base Value)
 Year One Real Property Tax Assessment on Improvements (after improvements demolished) = \$0
 Year Two Real Property Tax Assessment on Improvements (after redevelopment) = \$1,500,000
 Year Three Real Property Tax Assessment on Improvements (after redevelopment) = \$1,500,000
 Year Four Real Property Tax Assessment on Improvements (after redevelopment) = \$1,500,000
 Year Five Real Property Tax Assessment on Improvements (after redevelopment) = \$2,000,000
 Year Six Real Property Tax Assessment on Improvements (after redevelopment) = \$2,000,000
 Year Seven Real Property Tax Assessment on Improvements (after redevelopment) = \$2,000,000
 Year Eight Real Property Tax Assessment on Improvements (after redevelopment) = \$2,200,000
 Year Nine Real Property Tax Assessment on Improvements (after redevelopment) = \$2,200,000
 Year Ten Real Property Tax Assessment on Improvements (after redevelopment) = \$3,500,000

| Year | Base Real Property Tax Payment Value on Improvements at \$0.54/\$100 | Current Real Property Tax Assessment on Improvements | Current Real Property Tax Payment on Improvements at \$0.54/\$100 | Current Real Property Tax Payment on Improvements - Base Real Property Tax Payment Value | Loan Balance |
|-------|--|--|---|--|--------------|
| Base | \$2,700 | \$500,000 | \$2,700 | 0 | \$20,000 |
| One | \$2,700 | \$0 | 0 | 0 | \$20,000 |
| Two | \$2,700 | \$1,500,000 | \$8,100 | \$5,400 | \$14,600 |
| Three | \$2,700 | \$1,500,000 | \$8,100 | \$5,400 | \$9,200 |
| Four | \$2,700 | \$1,500,000 | \$8,100 | \$5,400 | \$3,800 |
| Five | \$2,700 | \$2,000,000 | \$10,800 | \$8,100 | -\$4,300* |
| Six | \$2,700 | \$2,000,000 | \$10,800 | \$8,100 | n/a |
| Seven | \$2,700 | \$2,000,000 | \$10,800 | \$8,100 | n/a |
| Eight | \$2,700 | \$2,200,000 | \$11,880 | \$9,180 | n/a |
| Nine | \$2,700 | \$2,200,000 | \$11,880 | \$9,180 | n/a |
| Ten | \$2,700 | \$3,500,000 | \$18,900 | \$16,200 | n/a |

*Loan Forgiven at the end of Year Five



CITY OF WILLIAMSBURG

MEMORANDUM

TO: Economic Development Authority

DATE: March 4, 2009

SUBJECT: Discussion of James City County Airport Study

As you are aware, James City County is undertaking an Airport Feasibility Study. Citizens have approached the City of Williamsburg about the importance of a general aviation airport to this community, so the City Manager has asked that the EDA review the economic importance of a general aviation airport and consider a letter or resolution expressing its findings.

The draft James City County Airport Study is available in its entirety at <http://www.jccegov.com/government/airport-study.html>. I have attached the draft study's Introduction and Chapter 3, which outlines the qualitative and quantitative benefits of the airport. You will notice that the 2004 Virginia Airport System Economic Impact Study ranks the Williamsburg-Jamestown Airport as the third highest in direct economic contribution of the state's general aviation airports.

If you would like a printed copy of the entire draft study, please let me know.

Michele Mixner DeWitt
Economic Development Manager

AIRPORT FEASIBILITY STUDY

FOREWORD

STUDY PURPOSE

The existing Williamsburg – Jamestown Airport has been in existence since 1970, operating as a Privately – Owned Public – Use General Aviation Airport. The Current Virginia Air Transportation System Plan (VATSP) recognizes the Airport and acknowledges that the Airport serves an important element of Williamsburg – Jamestown Area aviation demand, operating within a General Aviation Community (GC) Airport role. It is estimated that in 2007, the Airport served as a gateway to bring some 8,000 visitors into the local communities.

Most recently, the private owners of the Airport have indicated their intent to retire, and their desire to sell the Airport Property. This pending property sale, and the potential for Airport closure, raised many questions, including: 1) If the existing Williamsburg – Jamestown Airport were to close, how would this affect current and future Airport users?; 2) Is the existing Williamsburg - Jamestown Airport site the best location to serve current and future Area aviation demand?; and 3) What alternatives might be available to serve both current and future Area aviation demand?

In an effort to answer the above and other questions, this Airport Feasibility Study has been both authorized and funded by FAA, the Virginia Department of Aviation, and James City County.

The overall purpose of this Airport Feasibility Study is to:

determine the demand for aviation services and the alternatives available to serve this demand in the James City County area.

The Study purpose will be accomplished through a series of objectives. Important Study objectives include:

- ➔ Establish a Public Participation / Public Information Program to provide a high level of Public Involvement in the Study.
- ➔ Establish a Community Airport Committee to provide input into the Study, and help represent various Community concerns.
- ➔ Determine and define the Williamsburg – Jamestown (Geographical) Aviation Service Area.
- ➔ Develop related Aviation Forecasts.
- ➔ Identify Area Aviation Facility Needs.



- ➔ Define Alternatives of meet Area aviation facility needs, and develop an Evaluation Matrix indicating the relative advantages and disadvantages of each alternative analyzed.

It should be noted that this Study is not, and is not intended to be a Site Selection Study. Therefore, the results of the Alternatives Evaluation effort will not result in a final recommendation for a future course of action, but will provide guidance for future decision makers.

Lastly, it should also be noted that this Draft Report is the first in a series of Draft Reports that will be developed and distributed for review and comment, in concert with the Study schedule.

FINANCIAL FEASIBILITY AND PUBLIC VALUE ASSESSMENT

301. QUALITATIVE AND QUANTITATIVE BENEFITS:

Estimates based on the 2004 Virginia Airport System Economic Impact Study shows that Williamsburg-Jamestown Airport generated nearly \$3 million of economic activity (business sales) in the region of James City, Newport News and York counties in 2007, in addition to qualitative benefits. This economic activity supported 39 jobs in the region and over \$900,000 in payroll. Economic benefits consist of on-airport business, off-airport spending by visitors who fly into JGG and spin-off activities (also known as multiplier affects), which are caused by businesses making supplier purchases and workers spending their wages in the region. Qualitative and quantitative impacts of JGG are discussed in sections 301, A and 301, B, below, and projected economic contributions are reviewed in section 302. B.

A. Qualitative Benefits

Williamsburg-Jamestown (JGG) is one of 14 airports recommended in the 2003 Virginia Air Transportation System Plan Update to be classified as General Aviation Community (GC) Airports. These airports provide general aviation facilities and services to business and recreational users, and typically serve their respective communities or a smaller market area.

General aviation airports are an essential component of the communities they serve. Many businesses cite proximity to an airport as a reason for locating in a particular area. Not only can airports generate economic benefits, but many companies not directly tied to aviation rely on airport services to support their daily business activities, further contributing to an area's economy.

While the economic linkage between an airport and on-airport tenants and travel-related industries is readily apparent, there are less obvious interdependencies between airport and their communities. GA airports typically provide numerous "value-added" qualitative benefits to host communities and regions in Virginia. Exhibit 3-1 lists the most common qualitative attributes of airports.



| Exhibit 3-1 Range of Qualitative Features at GC Airports | | |
|---|---|--|
| Recreational flying | Aerial Inspections | Museums on airport |
| Recreational parachuting | Advertising/banner towing | Police/other law enforcement/ fire protection on airport |
| Recreational ballooning | Agricultural spraying | Use of facilities for community events |
| Flight training | Traffic/news reporting | Visits to community/ region from VIPs |
| Search & rescue services | Environmental patrol | Career training/education |
| Emergency medical evacuation | Aerial photography/ surveying | Preservation of open space & wetlands |
| Staging area for community events | Providing on site office/ business park space & amenities for non –aviation businesses in community | |

The 2003 2004 Commonwealth of Virginia Economic Impact Study lists the following qualitative features for Williamsburg-Jamestown Airport:

- Aerial Inspections
- Advertising/banner towing
- Law enforcement/ fire protection on airport
- Flight training
- Facilitating Visits to community/ region from VIPs
- Search & rescue services
- Aerial photography/ surveying
- Preservation of open space & wetlands
- Career training/education
- Staging area for community events
- Providing on site office/ business park amenities for non – aviation businesses in community

B. Economic Benefits

GC airports can provide a range of important services to local economies by serving needs of companies that rely on private aviation for business activity, facilitating visitor travel and subsequent visitor spending in local economies, and generating employment in aviation related businesses that service aircrafts, pilots and GA passengers. Total economic impacts are derived from the sum of on-airport direct impacts, off-airport direct impacts (visitor spending), and spin-off impacts (multiplier effect). Each type of impact is defined as follows:



1. **On-Airport Direct Impacts** represent on-airport businesses such as fixed base operators (FBOs), government, aircraft sales and services, and other tenants located at the airport. This category also includes airport management and other individuals employed directly by the airport.
2. **Off-Airport Direct Impacts (Visitor Spending)** are financial transactions that occur primarily off-site and are associated with visitor spending. The primary difference between on-airport direct impacts and off-airport direct impacts is that off-airport businesses benefit from additional revenue because of the airport, but would likely exist in the absence of the airport. The principal measure of off-airport direct impacts is expenditures made in the regional area by air travelers arriving in itinerant GA operation. Expenditures include items such as lodging, food, entertainment, and retail purchases. Off-airport direct impacts are often reported as indirect impacts.
3. **Spin-Off Impacts (Multiplier Effects)** effects come as a result of the direct stimulus; these come in the form of additional business sales (suppliers for the direct business) and consumer spending (spending of workers from direct and indirect business) to reflect the recycling of dollars through the economy. Spin-off effects occurring outside a designated area is considered economic leakage and is not reflected in the multiplier.

As documented in the 2004 Virginia Airport System Economic Impact Study, the 13 (recommended) GC airports¹ in Virginia generated nearly \$13 million in direct on airport impacts and through direct visitor spending. Impacts per airport ranged from \$31,000 to more than \$3.2 million. At slightly more than \$2 million, Williamsburg-Jamestown Airport returned the third highest total of direct impacts among these airports. Table 1 show that the direct economic contribution of JGG was more than twice the mean average of all GC airports and nearly four times the median.

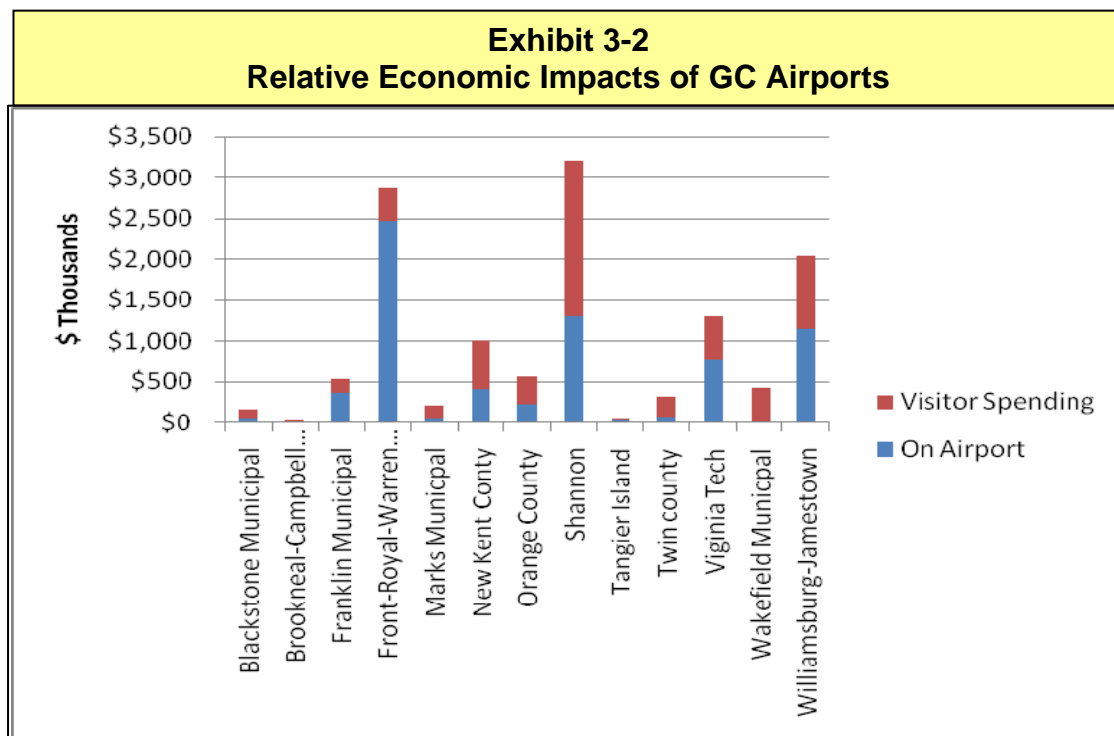
¹ This analysis does not include Lee County Airport, which opened subsequent to the 2001 base year for the 2004 Virginia Airport System Economic Impact Study.



| Table 3-1 | | | |
|--|-------------------|-------------------------|---------------------------|
| Economic Contribution of JGG Compared to all GC Airports (in \$1,000s) | | | |
| | Direct On Airport | Direct Visitor Spending | Total Direct Contribution |
| Mean Average | \$531 | \$454 | \$985 |
| Median | \$234 | \$337 | \$535 |
| Williamsburg-Jamestown | \$1,147 | \$887 | \$2,034 |
| Totals of Recommended GC Airports | \$6,898 | \$5,903 | \$12,801 |

Sources: 2004 Virginia Airport System Economic Impact Study and 2003 Virginia Air Transportation System Plan Update. Lee County Airport is not included because it was opened after data were collected for the Economic Impact study.

Exhibit 3-2, below, illustrates the relative economic impacts among the (recommended) GC airports.



Source: 2004 Virginia Airport System Economic Impact Study Lee County Airport is not included because it was opened after data were collected for the study

Data used in the 2004 study was used to estimate the current and projected impacts for Williamsburg-Jamestown Airport. The project team collected 2007 on airport employment (including airport owners). Spending per visitor was inflated to represent 2007 values. The process for calculating spin-off effects for Williamsburg-Jamestown was replicated from the previous study; this involved using the IMPLAN model with the most recent multipliers (2006) for the three-county region -- James City, Newport News and York counties (this was the region used in the 2004 study).



The impacts also had to be estimated for the future; this was done through the use of the predicted increase in operations. Estimates of future on-airport impacts involved were based on increasing the impacts at the rate of increase in *total operations*. Future visitor spending was calculated by using the passengers per operation from the previous study along with the predicted *transient-itinerant operations*.² Table 3-2 shows the predicted operations and visitors for 2007.

| Table 3-2 | |
|--|--------|
| 2007 Operations and Visitors | |
| Total Operations | 22,080 |
| Transient-Itinerant Operations | 6,240 |
| Visitors | 8,112 |
| <i>Source: L.R. Kimball & Associates and EDR Group</i> | |

According to the airport management, there are three activities now at the airport: food service, flight instruction, and repair/maintenance. These activities, along with the airport management, represented 10 direct jobs.³ Table 3-3 shows the estimated direct, spin-off and total effects from the activity at the airport 2007.

| Table 3-3 | |
|---|--------------|
| Estimated 2007 Economic Impacts from On-Airport Activity at Williamsburg-Jamestown Airport | |
| Jobs - Direct | 10 |
| Jobs - Spin-off | 3 |
| Jobs - Total | 12 |
| | |
| Wages - Direct (\$1,000's) | \$298 |
| Wages - Spin-off (\$1,000's) | \$93 |
| Wages - Total (\$1,000's) | \$391 |
| | |
| Sales - Direct (\$1,000's) | \$593 |
| Sales - Spin-off (\$1,000's) | \$314 |
| Sales - Total (\$1,000's) | \$907 |
| <i>Source: US Department of Commerce data assembled by IMPLAN, calculations by EDR Group</i> | |

The airport is situated near several cities and tourist destinations. Travelers using the airport for business or recreation spend money in the local economy on hotels, restaurants, shopping, ground transportation, and entertainment. The spending patterns used in the analysis were taken from the previous study. Table 3-4 shows the visitor spending impacts generated by the airport. As seen in the table, visitor spending impacts are significantly higher than on-airport impacts. In

² Number of visitors = passengers per operation * transient-itinerant operations * .5

³ The direct impact from airport management included \$55,000 in salaries from the budget for miscellaneous personnel and the net earnings of \$33,000 from 2007.



2007, estimates of visitor spending show 26 jobs, \$545,000 in wages and \$1.9 million in business sales.

| Table 3-4 | |
|--|----------------|
| Estimated 2007 Economic Impacts from Visitor Spending | |
| Jobs - Direct | 20 |
| Jobs - Spin-off | 6 |
| Jobs - Total | 26 |
| | |
| Wages - Direct (\$1,000's) | \$382 |
| Wages - Spin-off (\$1,000's) | \$163 |
| Wages - Total (\$1,000's) | \$545 |
| | |
| Sales - Direct (\$1,000's) | \$1,265 |
| Sales - Spin-off (\$1,000's) | \$657 |
| Sales - Total (\$1,000's) | \$1,922 |

Source: US Department of Commerce data assembled by IMPLAN, calculations by EDR Group

Table 3-5 shows the combined estimated contribution of Williamsburg-Jamestown Airport to the regional economy in 2007. In total the airport generated 39 jobs, \$936,000 in wages and \$2.8 million in business sales.

| Table 3-5 | |
|--|----------------|
| Total Economic Contribution of Williamsburg-Jamestown Airport to the Region in 2007 | |
| Jobs - Direct | 30 |
| Jobs - Spin-off | 9 |
| Jobs - Total | 39 |
| | |
| Wages - Direct (\$1,000's) | \$680 |
| Wages - Spin-off (\$1,000's) | \$256 |
| Wages - Total (\$1,000's) | \$936 |
| | |
| Sales - Direct (\$1,000's) | \$1,858 |
| Sales - Spin-off (\$1,000's) | \$971 |
| Sales - Total (\$1,000's) | \$2,829 |

Source: US Department of Commerce data assembled by IMPLAN, calculations by EDR Group



302. REVENUES AND EXPENSES

This section of the analysis examined the financial records for the airport. The first step was to collect accounting information from the airport including revenues, costs, and capital expenditures for past years. Also, for comparison of past years to 2007 the line items had to be aggregated.

Table 6 shows cash revenues and costs (excluding depreciation) of the airport dating back to 2002. As shown below, in terms of net income, the airport has turned a cash profit for every year with the exception of 2003. The relatively large revenue surplus in 2002 is due in part to a grant received by the airport.⁴ However, this measure does not include depreciation which will be discussed later. The Dollars are presented in constant 2007 terms in order to show revenue streams without the affects of inflation over time.

| Table 3-6 | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| Net Annual Income of Williamsburg-Jamestown Airport, 2002 -2005, 2007 | | | | | |
| Presented in Fixed 2007 Dollars | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2007 |
| Revenue (2007\$) | | | | | |
| Fuel sales | \$243,326 | \$189,428 | \$228,077 | \$219,298 | \$309,084 |
| Landing, storage, and hangar fees | \$119,301 | \$133,297 | \$133,845 | \$133,128 | \$155,531 |
| Gift Shop and tickets | \$35,878 | \$30,259 | \$32,572 | \$24,643 | \$22,137 |
| Parking Income | \$28,215 | \$21,069 | \$25,861 | \$23,342 | \$20,647 |
| Rental Income | \$45,807 | \$42,236 | \$40,358 | \$33,008 | \$21,564 |
| Misc. | \$55,017 | \$4,011 | \$20,060 | \$47,672 | \$4,102 |
| Total | \$527,543 | \$420,299 | \$480,773 | \$481,091 | \$533,064 |
| | | | | | |
| Costs (2007\$) | | | | | |
| Fuel Costs | \$131,787 | \$167,119 | \$166,373 | \$169,101 | \$194,899 |
| Gift Shop and Ticket Costs | \$26,005 | \$19,089 | \$15,883 | \$21,513 | \$16,755 |
| Salaries | \$78,330 | \$67,204 | \$72,182 | \$61,753 | \$55,444 |
| Interest | \$81,783 | \$81,433 | \$87,039 | \$75,977 | \$108,094 |
| Repair and Main | \$14,991 | \$21,156 | \$14,376 | \$23,339 | \$11,751 |
| Taxes, Licenses and Fees | \$43,453 | \$28,335 | \$32,038 | \$42,976 | \$71,799 |
| Supplies | \$2,675 | \$2,008 | \$2,331 | \$4,624 | \$4,880 |
| Insurance | \$21,843 | \$17,175 | \$18,760 | \$17,979 | \$19,480 |
| Misc. | \$50,435 | \$20,967 | \$28,099 | \$26,871 | \$4,304 |
| Utilities | \$13,757 | \$16,335 | \$12,569 | \$14,043 | \$14,073 |
| Total | \$465,060 | \$440,821 | \$449,651 | \$458,177 | \$501,480 |
| Net Revenue | \$62,483 | -\$20,522 | \$31,122 | \$22,914 | \$31,584 |

Source: CPA audited financial statements from 2002 -2005 and unaudited cash flow statement for 2007 provided by Williamsburg-Jamestown Airport,rt. A aggregations by EDR Group.

Note that 2006 data were not available.

⁴ This is the only grant received in the years presented. The grant was for \$46,544 (in 2002 dollars) and expenditures against the grant were shown as \$35,085.

**303. PRO-FORMA ESTIMATES OF FUTURE YEARS****A. Sales and Income**

The aggregated revenues and costs (shown above) were then projected for the forecast years—2010, 2015, 2020, and 2025. Two different approaches were used for these projections: 1) applying the past trends of each category for future years and 2) applying the projected increase in total operations.

The first method using past trends created an increasing gap between revenues and costs causing a large net loss for the airport in 2015, 2020, and 2025. By 2025, the airport was projected to operate with a loss of almost \$500,000 (in 2007 dollars). This result is typical with the use of past trends. The short time-span of the past data shows perturbations which are exacerbated when projected over a long time-span. Therefore, the second method of projecting the revenues and costs by the growth in operations produced a conservative, more realistic estimate. In these projections the airport continued to have a slight net gain (excluding depreciation). Table 3-7 shows the projected revenues and costs for the forecast years. In this scenario, the net income gradually increases over time, reaching \$43,000 (in constant 2007 dollars) by 2025.

| Table 3-7 | | | | |
|--|------------------|------------------|------------------|------------------|
| Table 7: Projected Net Income of Williamsburg-Jamestown Airport | | | | |
| <i>Presented in Fixed 2007 Dollars</i> | | | | |
| | 2010 | 2015 | 2020 | 2025 |
| Revenue (2007\$) | | | | |
| Fuel sales | \$326,284 | \$370,517 | \$396,272 | \$422,028 |
| Landing, storage, and hangar fees | \$164,186 | \$186,444 | \$199,404 | \$212,364 |
| Gift Shop and tickets | \$23,369 | \$26,537 | \$28,382 | \$30,226 |
| Parking Income | \$21,796 | \$24,751 | \$26,471 | \$28,192 |
| Rental Income | \$22,764 | \$25,849 | \$27,646 | \$29,443 |
| Misc. | \$4,330 | \$4,917 | \$5,259 | \$5,601 |
| Total | \$562,729 | \$639,015 | \$683,434 | \$727,854 |
| | | | | |
| Costs (2007\$) | | | | |
| Fuel Costs | \$205,745 | \$233,636 | \$249,877 | \$266,118 |
| Gift Shop and Ticket Costs | \$17,687 | \$20,085 | \$21,481 | \$22,877 |
| Salaries | \$58,530 | \$66,464 | \$71,084 | \$75,704 |
| Interest | \$114,109 | \$129,578 | \$138,586 | \$147,593 |
| Repair and Main | \$12,405 | \$14,087 | \$15,066 | \$16,046 |
| Taxes, Licenses and Fees | \$75,795 | \$86,070 | \$92,053 | \$98,036 |
| Supplies | \$11,168 | \$12,682 | \$13,564 | \$14,446 |
| Insurance | \$20,564 | \$23,352 | \$24,975 | \$26,599 |
| Misc. | \$4,544 | \$5,160 | \$5,518 | \$5,877 |
| Utilities | \$8,839 | \$10,038 | \$10,735 | \$11,433 |
| Total | \$529,387 | \$601,153 | \$642,940 | \$684,728 |
| Net Revenue | \$33,342 | \$37,862 | \$40,494 | \$43,126 |

Source: L. R. Kimball & Associates and Williamsburg-Jamestown Airport, calculations by EDR Group



These measures are considered to be conservative and subject to change. There are several possibilities where the airport could increase its revenues that are not assumed here. For instance, the airport could increase its fuel fees which would increase revenue in the first item in Table 3-7.

B. Economic Contributions

The impacts also had to be estimated for the of future economic impacts are based on; this was done through the use of the predicted increase in operations through 2025. EThe estimations of future on-airport impacts involved increasing the impacts at the rate of increase in *total operations*. Future visitor spending was calculated by using the passengers per operation from the previous study along with the predicted *transient-itinerant operations*.⁵ Table 3-8 shows base year operations and visitors for 2007 and the forecast years—2010, 2015, 2020, and 2025.

| Table 3-8 | | | | | |
|-----------------------------------|--------|--------|--------|--------|--------|
| Predicted Operations and Visitors | | | | | |
| | 2007 | 2010 | 2015 | 2020 | 2025 |
| Total Operations | 22,080 | 23,310 | 26,470 | 28,310 | 30,150 |
| Transient-Itinerant Operations | 6,240 | 6,410 | 6,630 | 6,900 | 7,180 |
| Visitors | 8,112 | 8,333 | 8,619 | 8,970 | 9,334 |

Source: Kimball Associates and EDR Group

According to the airport management, there are three activities now at the airport: food service, flight instruction, and repair/maintenance. These activities, along with the airport management, represented 10 direct jobs.⁶ Table 3-9 shows the direct, spin-off and total effects from the activity at the airport. These effects are shown for 2007 as well as for the forecast years (in constant dollars⁷). In 2007, the on-airport impacts totaled 12 jobs, \$391,000 in wages and \$907,000 in business sales. Assuming that impacts increase at the same rate as operations, the total impacts by 2025 will be 17 jobs, \$534,000 in wages and \$1.2 million in sales.

⁵ Number of visitors = passengers per operation * transient-itinerant operations * .5

⁶ The direct impact from airport management included \$55,000 in salaries from the budget for miscellaneous personnel and the net earnings of \$33,000 from 2007.

⁷ The adjustment to 2007 dollars used the Consumer Price Index for the U.S. Southeast from the Bureau of Labor Statistics (BLS).



| Table 3-9 | | | | | |
|--|--------------|--------------|----------------|----------------|----------------|
| Projected Economic Impacts from On-Airport Activity at Williamsburg-Jamestown Airport, 2007-2025. | | | | | |
| <i>Presented in Fixed 2007 Dollars</i> | | | | | |
| On-airport Impacts (2007\$) | 2007 | 2010 | 2015 | 2020 | 2025 |
| Jobs - Direct | 10 | 10 | 11 | 12 | 13 |
| Jobs - Spin-off | 3 | 3 | 3 | 4 | 4 |
| Jobs - Total | 12 | 13 | 15 | 16 | 17 |
| | | | | | |
| Wages - Direct (\$1,000's) | \$298 | \$315 | \$358 | \$383 | \$407 |
| Wages - Spin-off (\$1,000's) | \$93 | \$98 | \$111 | \$119 | \$127 |
| Wages - Total (\$1,000's) | \$391 | \$413 | \$469 | \$502 | \$534 |
| | | | | | |
| Sales - Direct (\$1,000's) | \$593 | \$626 | \$711 | \$760 | \$809 |
| Sales - Spin-off (\$1,000's) | \$314 | \$331 | \$376 | \$402 | \$428 |
| Sales - Total (\$1,000's) | \$907 | \$957 | \$1,087 | \$1,162 | \$1,238 |

Source: US Department of Commerce data assembled by IMPLAN, calculations by EDR Group

The airport is situated near several cities and tourist destinations. Travelers using the airport for business or recreation spend money in the local economy on hotels, restaurants, shopping, ground transportation, and entertainment. The spending patterns used in the analysis were taken from the previous study. Table 3-10 shows the visitor spending impacts generated by the airport, which. As seen in the table, visitor spending impacts are significantly higher than on-airport impacts. In 2007, visitor spending was responsible for 26 jobs, \$545,000 in wages and \$1.9 million in business sales (estimates based on 2004 study). By 2025, with a consistent increase in visitors, the total impacts are estimated to grow to be 30 jobs, \$637,000 in wages and \$2.2 million in sales.

| Table 3-10 | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Projected Regional Economic Impacts of Visitor Spending from Williamsburg-Jamestown Airport, 2007- 2025 | | | | | |
| <i>Dollars are Presented in Constant \$2007</i> | | | | | |
| Visitor Spending Impacts (2007\$) | 2007 | 2010 | 2015 | 2020 | 2025 |
| Jobs - Direct | 20 | 21 | 22 | 22 | 23 |
| Jobs - Spin-off | 6 | 6 | 6 | 7 | 7 |
| Jobs - Total | 26 | 27 | 28 | 29 | 30 |
| | | | | | |
| Wages - Direct (\$1,000's) | \$382 | \$392 | \$406 | \$422 | \$439 |
| Wages - Spin-off (\$1,000's) | \$163 | \$168 | \$173 | \$180 | \$188 |
| Wages - Total (\$1,000's) | \$545 | \$560 | \$579 | \$602 | \$627 |
| | | | | | |
| Sales - Direct (\$1,000's) | \$1,265 | \$1,299 | \$1,344 | \$1,399 | \$1,456 |
| Sales - Spin-off (\$1,000's) | \$657 | \$675 | \$698 | \$726 | \$756 |
| Sales - Total (\$1,000's) | \$1,922 | \$1,974 | \$2,042 | \$2,125 | \$2,211 |

Source: US Department of Commerce data assembled by IMPLAN, calculations by EDR Group



Table 3-11 shows the combined impacts of on-airport activity and visitor spending. The total impact ranges from 39 jobs, \$936,000 in wages and \$2.8 million in sales in 2007 to 47 jobs, \$1.2 million in wages and \$3.4 million in sales in 2025.

| Table 3-11 | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Total Projected Economic Impacts of Williamsburg-Jamestown Airport, 2007-2025 | | | | | |
| <i>Dollars are Presented in Constant \$2007</i> | | | | | |
| Total Impacts (2007\$) | 2007 | 2010 | 2015 | 2020 | 2025 |
| Jobs - Direct | 30 | 31 | 33 | 35 | 36 |
| Jobs - Spin-off | 9 | 9 | 10 | 10 | 11 |
| Jobs - Total | 39 | 40 | 43 | 45 | 47 |
| | | | | | |
| Wages - Direct (\$1,000's) | \$680 | \$707 | \$764 | \$805 | \$846 |
| Wages - Spin-off (\$1,000's) | \$256 | \$266 | \$284 | \$299 | \$315 |
| Wages - Total (\$1,000's) | \$936 | \$973 | \$1,048 | \$1,104 | \$1,161 |
| | | | | | |
| Sales - Direct (\$1,000's) | \$1,858 | \$1,925 | \$2,055 | \$2,159 | \$2,265 |
| Sales - Spin-off (\$1,000's) | \$971 | \$1,006 | \$1,074 | \$1,128 | \$1,184 |
| Sales - Total (\$1,000's) | \$2,829 | \$2,931 | \$3,129 | \$3,287 | \$3,449 |

Source: US Department of Commerce data assembled by IMPLAN, calculations by EDR Group

The economic impacts discussed were assumed to grow at a rate commensurate with operations. However, due to the small size of the airport, many changes could affect these results. If another tenant moved onto the airport then on-airport impacts would drastically increase. Also, if the airport were to draw a higher share of visitors this would then augment the impacts of visitor spending in the economy. Therefore, the total impacts shown here may be viewed as conservative.

It also should be noted that the based aircraft at the airport generate personal property taxes for James City County. These would occur regardless of whether the airport was publicly or privately owned. However, they would not accrue to the county without the airport's existence. An estimation of the impact of personal property taxes for the future was derived from the current and projected based aircraft (from the hangar stimulation scenario in Chapter 2) and resulting tax revenue. For future years, personal property tax revenues per aircraft are assumed to be consistent with the base year 2007 average. The results are seen in Table 3-12 for 2007 and the forecast years.



| Table 3-12 | | | | | |
|---|----------|----------|----------|----------|----------|
| Projected Personal Property Tax Revenue Generated from Williamsburg-Jamestown Airport, 2007-2025 | | | | | |
| | 2007 | 2010 | 2015 | 2020 | 2025 |
| Based Aircraft | 77 | 82 | 100 | 107 | 114 |
| Personal Property Tax | \$28,033 | \$29,854 | \$36,407 | \$38,955 | \$41,504 |

Source: L. R. Kimball & Associates and EDR Group.

304. CAPITAL EXPENDITURE GAP

The previous evaluation excluded capital expenditures and depreciation of capital at the airport. Table 6 shows that from a revenue standpoint that the airport operated with small surpluses in 2002, 2004, 2007, and showed an operating loss in 2003. Data are shown in constant 2007 dollars to provide an understanding of the annual revenue flows. Table 3-13 below is in nominal dollars and presents capital depreciation.⁸

The business model of an airport, even a privately owned airport, is different than many companies. The presumption associated with depreciation is that the depreciated value of assets should be set aside each year, so that a business will be able to replace its assets when required. Airports, however, are eligible for grants that heavily subsidize rehabilitation or replacement of assets. In its current status, JGG remains eligible for state funding because the airport is included in the Virginia Air Transportation System Plan. JGG would be eligible for federal funds administered by the FAA, as well, should the airport be designated as a NPIAS facility.

As shown in Table 3-13, on an income basis, JGG operated at a loss, ranging from five to seventy-two thousand dollars for the most recent five years that data are available after accounting for depreciation of the airport's capital assets. We see below that value lost annually through depreciation is greater year after year than operating revenue streams generated by the airport, so annually depreciating values cannot be set aside from operating revenues.⁹

⁸ Depreciation already reflects decreasing value over time.

⁹ In reality, and with proper maintenance, assets are often used for years after being totally depreciated, although they will have to be replaced or be significantly renovated (in the case of a runway, for example) at some point in time.



| Table 3-13 | | | | | |
|---|-----------|------------|------------|------------|------------|
| Net Annual Income of Williamsburg-Jamestown Airport, 2002 -2005, 2007 | | | | | |
| Dollars are in Nominal Value | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2007 |
| Total Revenue | \$456,292 | \$371,924 | \$436,235 | \$452,131 | \$533,064 |
| Total Costs | \$402,248 | \$390,084 | \$407,996 | \$430,596 | \$501,479 |
| Net Revenue/(Loss) | \$54,044 | (\$18,160) | \$28,239 | \$21,535 | \$31,585 |
| Depreciation | \$58,641 | \$53,511 | \$49,335 | \$44,106 | \$43,460 |
| Net Profit (Loss) | (\$4,597) | (\$71,671) | (\$21,096) | (\$22,571) | (\$11,875) |

Source: L. R. Kimball & Associates and Williamsburg-Jamestown Airport, calculations by EDR Group

The airport currently has \$3.7 million in capital assets including: land, roads, buildings and furniture among others. (See Table 3-14.) Between 2002 and 2005, the average annual depreciation of these assets was \$50,000 in nominal terms (\$57,000 in 2007 dollars). The cumulative depreciation is currently at over \$1 million, making the net value of capital assets \$2.7 million.¹⁰

The intent of “depreciation” is that money should be set aside for replacing assets after they have lost value and have outlasted their “useful lives.” We see above that value lost annually through depreciation is greater year after year than the new revenue stream of the airport, so annually depreciating values cannot be set aside from operating revenues.¹¹

As we do not have access to the depreciation schedules of current assets (and calculating depreciation accumulated through 2025 is beyond the scope of this analysis, we estimate that capital assets at the airport will depreciate by an additional \$500,000 - \$1 million by 2025. Total depreciation of assets will account for about \$1.5 to \$2 million. Moreover, this does not account for future improvements to buildings and aviation facilities at the airport during. At this time, JGG does not show a revenue stream to set aside a capital fund or to leverage to borrow money (and incur more debt service). This leads to the discussion of other ways that the airport may be able to counterbalance its capital costs with other sources of financing.

¹⁰ Also, the airport spent nearly \$130,000 in construction costs in 2007.

¹¹ In reality, and with proper maintenance, assets are often used for years after being totally depreciated, although they will have to be replaced or be significantly renovated (in the case of a runway, for example) at some point in time.



| Table 3-14 | |
|---|--------------------|
| Value of Assets at JGG | |
| Property & Equipment | Value |
| Land | \$525,933 |
| Hangar | \$304,640 |
| New Hangar Building | \$464,249 |
| Roads | \$50,170 |
| Runway Apron | \$416,622 |
| Beacon Tower | \$20,318 |
| New Hangar 2 Building | \$220,302 |
| Fuel Farm | \$342,250 |
| Furniture/Equipment | \$49,302 |
| Building | \$788,849 |
| Leasehold Improvements | \$291,341 |
| Taxiway/Helipad | \$38,397 |
| Construction in Progress | \$129,827 |
| Other | \$79,947 |
| Subtotal | \$3,722,147 |
| Accumulated Depreciation | (\$1,003,637) |
| Net Value Property & Equipment | \$2,718,510 |

Source: Williamsburg-Jamestown Airport unaudited balance sheet, December 31, 2007. The balance sheet also has a line item labeled "Other Depreciable Assets" at a value of \$189,000 in addition to "Property and Equipment"

A. Commonwealth of Virginia Grants

In its current standing as a GC privately owned public use airport, JGG is eligible for grants from the Special Fund administered by the Commonwealth's Department of Aviation and funded by state taxes on aviation fuel. From 1988 through 2007 these grants have supported approximately \$3 million of capital improvements and airport planning. Over these 20 years, JGG received 29 grants from the Commonwealth, totaling roughly \$2.2 million. The airport matched these grants with \$863,000. Most grants have been provided on an 80%/20% basis, meaning that 80% of project costs have been funded by the Commonwealth and 20% of costs have been paid by the airport. Table 3-15 below lists the projects and planning documents supported by DOA, including costs shared by the Department and the Airport. Specific grants are listed in the appendix.



Table 3-15

| Grants Received from DOA , 1988-2007 | | | | | | |
|--------------------------------------|---|-----------------------------------|---------------|--------------------|------------------|--------------------|
| Year | Subject | Percent State Grant & Local Match | | Dollars | | |
| | | DOA Grant | Airport Match | DOA Grant | Airport Match | Total Project Cost |
| 1988 | Terminal Building Construction | 51% | 49% | \$252,654 | \$242,746 | \$495,400 |
| 1990 | Auto Parking Lot & Overlay of Taxiway Const. | 80% | 20% | \$80,159 | \$20,040 | \$100,199 |
| 1990 | Construction of Utilities for Terminal Building | 45% | 55% | \$22,881 | \$27,965 | \$50,846 |
| 1990 | Construction of Additional Auto Parking | 80% | 20% | \$27,000 | \$6,750 | \$33,750 |
| 1993 | Airport Master Plan | 80% | 20% | \$51,500 | \$12,875 | \$64,375 |
| 1993 | Engineering for Runway Rehabilitation | 80% | 20% | \$19,200 | \$4,800 | \$24,000 |
| 1994 | Security Lighting | 80% | 20% | \$3,328 | \$832 | \$4,160 |
| 1994 | Runway Rehab, Phase 2 | 80% | 20% | \$144,377 | \$36,094 | \$180,471 |
| 1996 | SWPP | 80% | 20% | \$2,669 | \$667 | \$3,336 |
| 1996 | Tractor and Mower | 50% | 50% | \$24,984 | \$24,984 | \$49,969 |
| 1997 | AWOS Design | 80% | 20% | \$15,944 | \$3,986 | \$19,930 |
| 1997 | Hanger site pre | 80% | 20% | \$56,535 | \$14,134 | \$70,669 |
| 1997 | ALP | 80% | 20% | \$11,000 | \$2,750 | \$13,750 |
| 1998 | AWOS Design | 80% | 20% | \$16,000 | \$4,000 | \$20,000 |
| 1998 | UST Design | 60% | 40% | \$19,441 | \$12,961 | \$32,402 |
| 1998 | SPCC Plan | 80% | 20% | \$4,000 | \$1,000 | \$5,000 |
| 1999 | UST Construction | 50% | 50% | \$105,559 | \$105,559 | \$211,117 |
| 2000 | Apron Expansion Design | 80% | 20% | \$39,994 | \$9,998 | \$49,992 |
| 2000 | Access Road Design Construction | 80% | 20% | \$122,720 | \$30,680 | \$153,400 |
| 2002 | T-hanger Site/ Access Road | 80% | 20% | \$35,200 | \$8,800 | \$44,000 |
| 2003 | SWPP Update | 80% | 20% | \$3,000 | \$750 | \$3,750 |
| 2003 | Apron Expansion Construction | 80% | 20% | \$472,797 | \$118,199 | \$590,997 |
| 2004 | Design & Construct Maint. Equip. Building | 80% | 20% | \$25,000 | \$6,250 | \$31,250 |
| 2004 | Clear Hanger Site Preparation | 80% | 20% | \$60,970 | \$15,243 | \$76,213 |
| 2005 | ALP Update | 80% | 20% | \$16,000 | \$4,000 | \$20,000 |
| 2005 | T-Hanger Site Prep & Auto Parking | 80% | 20% | \$504,208 | \$126,052 | \$630,261 |
| 2005 | T Hanger Site Prep | 80% | 20% | \$25,600 | \$6,400 | \$32,000 |
| 2006 | Access Road Relocation and Rehabilitation | 80% | 20% | \$42,400 | \$10,600 | \$53,000 |
| 2007 | Obstruction Survey | 80% | 20% | \$16,000 | \$4,000 | \$20,000 |
| | | | | \$2,221,120 | \$863,115 | \$3,084,236 |

Source: Virginia Department of Aviation. Calculations by EDR Group



Table 3-16 summarizes the 29 grants in broad categories by the type of improvement or planning initiative funded. Note, for hangers the special grants can support site work, but not construction.

| Table 3-16 | | | |
|---|-------------|---------------|--------------------|
| Grants Provided by DOA 1988-2007 By Purpose | | | |
| Category | DOA Grants | Airport Match | Total Project Cost |
| Aviation Weather Observing System | \$31,944 | \$7,986 | \$39,930 |
| Access Road | \$165,120 | \$41,280 | \$206,400 |
| Apron Improvements | \$512,791 | \$128,198 | \$640,989 |
| Airport Layout Plan, Master Plan & Obstruction Survey | \$94,500 | \$23,625 | \$118,125 |
| Environmental* | \$9,669 | \$2,417 | \$12,086 |
| Leaking Underground Storage Tank | \$125,000 | \$118,520 | \$243,520 |
| Hangar Support and Grounds | \$682,514 | \$170,629 | \$853,143 |
| Runway Improvements | \$163,577 | \$40,894 | \$204,471 |
| Maintenance Building & Equipment | \$49,984 | \$31,234 | \$81,219 |
| Terminal Building | \$275,535 | \$270,711 | \$546,246 |
| Parking Facilities | \$107,159 | \$26,790 | \$133,949 |
| Security | \$3,328 | \$832 | \$4,160 |
| Totals | \$2,221,120 | \$863,115 | \$3,084,236 |

*Storm water pollution prevention and spill prevention control
Source: Virginia Department of Aviation. Calculations by EDR Group.

The depreciation over the five years shown on table 3-13 shows a cumulative loss of value of \$249,053 on capital assets at JGG. During those same years, the Commonwealth provided more than almost \$1.1 million in grant assistance for capital improvements, and the Airport's match for these grants totaled nearly \$281,000. An additional \$35,000 in grants, requiring almost \$9,000 in matching funds from JGG, was also received by the airport during these years. As seen in Table 3-17, annualized depreciation of assets at JGG ran from almost \$59,000 in 2002 to more than \$43,000 in 2007. From 2002 through 2005, however, the airport received between \$35 thousand and \$530 thousand annually for capital related projects (and an additional \$16,000 in 2007 to conduct an obstruction survey).



| Table 3-17 | | | | | | |
|---|----------------------------------|-----------------|--|-----------------------------------|--------------------|---------------|
| Grant income for capital improvements exceeds values of depreciated assets and match requirements from Airport | | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2007 | Totals |
| DOA grants received for capital projects | \$35,200 | \$472,797 | \$85,970 | \$529,808 | \$0 | \$1,123,775 |
| Local match | \$8,800 | \$118,199 | \$21,492 | \$132,452 | \$0 | \$280,943 |
| Net grant (capital) revenue to airport | \$26,400 | \$354,598 | \$64,478 | \$397,356 | \$0 | \$842,832 |
| Depreciated assets (from Table 3-13) | \$58,641 | \$53,511 | \$49,335 | \$44,106 | \$43,460 | \$249,053 |
| Net capital flow, including depreciation | (\$32,241) | \$301,087 | \$15,143 | \$353,250 | (\$43,460) | \$593,779 |
| Capital projects funded by grants | T-hanger & access road site work | Apron expansion | Maintenance equipment storage facility design & construction ; Hanger site prep. | T-hanger & auto parking site prep | | |
| Other grants received for non-capital projects | | SWPP update | ALP update | | Obstruction survey | |
| Sources: Virginia Department of Aviation and financial balance sheets provided by JGG. Calculations by EDR Group. | | | | | | |

B. Grant Obligations

Grants provided to JGG by the Department of Aviation require 20 year assurances that the airport will remain in operation as a public use facility. If JGG is sold but maintained as a public use airport, the assurances can be transferred to the new owners, whether private or public. Prior to a public use airport being sold, the Virginia Department of Aviation must amend the license. As part of the licensing procedure, the prospective buyer would have to complete an assumption agreement that would transfer the obligations of the grants to the new owner.

If JGG ceases to be a public use airport, then DOA will be owed the pro-rated value of grants received by the airport over previous 20 years. The way the assurances read is that the pro rata share of the grant would be owed once the airport is no longer used as a public use airport, even if the airport property is not sold until a later date. For example, if the existing (or a future) sponsor closed the airport in a future year on April 1st but did not sell it until the following June



30th, the pro-rata share of the grants would be determined as of the former date. For example, JGG received two grants in 2000, totaling \$162,714 (see Table 3-15, above). If the airport closes in 2010, DOA will be owed approximately \$81,357 from these two grants (10 years outstanding / 20 year obligation (times) \$162,714 of DOA funds). We use the term *approximately* because the actual date of the grant and “would-be” date of the closing is the actual framework for calculating the amounts per grant that would be owed to the Commonwealth. The difference in a generalized year- to- year calculation and an exact day-to-day method is shown below.

The two largest grants JGG has received from DOA over the past 20 years are \$504,208 for T-hanger site improvements and automobile parking dated November 3, 2005 (with its 20 year assurance stretching to November 2, 2025) and \$472,297 for apron expansion, dated April 17, 2003 (with contractual assurance to April 16, 2023). Table 3-18 shows the amount that would be due to DOA if the airport closed as of January 1, July 1 and December 31, 2010, as well as the approximate amounts based on year-to-year approximations.

Table 3-18

Examples of Required Payback Schedules if JGG Closes in 2010

| Grant: T-hangar site improvements and automobile parking (November 3, 2005), \$502,208 | | | Grant: Apron expansion (April 17, 2003), \$472,797 | | | Total Both Grants Due to DOA |
|--|------------------------|-----------------------------|--|------------------------|-----------------------------|------------------------------|
| Assume Date JGG No Longer an Airport | Number of Days Expired | Portion of Grant Due to DOA | Assume Date JGG No Longer an Airport | Number of Days Expired | Portion of Grant Due to DOA | |
| 1-Jan-10 | 1520 | \$399,280 | 1-Jan-10 | 2451 | \$314,163 | \$713,443 |
| 1-Jul-10 | 1701 | \$386,785 | 1-Jul-10 | 2632 | \$302,448 | \$689,233 |
| 31-Dec-10 | 1884 | \$374,152 | 31-Dec-10 | 2815 | \$290,604 | \$664,756 |
| Based on year-to-year approximation | | \$378,156 | Based on year-to-year approximation | | \$307,318 | \$685,475 |

Source: Virginia Department of Aviation. Calculations by EDR Group.

Table 3-19 show the approximate balances that would be owed to DOA if JGG closes in 2010, 2015, 2020 or 2025 from the 29 grants made from 1988 through 2007, based on an approximate year-to year calculation. By 2010 there would be no balances the grant made in 1988. Actual balances on the three grants made in 1990 would depend on the dates of the grants were made and the date of closure. Note, that balances for grants made after 2007 would have to be added to this totals.



| Table 3-19 | |
|---|-------------------|
| Approximate Balances of DOA Grants Made 1998-2007 if JGG Stops Being a Public Use Airport | |
| Year | Remaining Balance |
| 2008 | \$1,266,585 |
| 2010 | \$1,069,738 |
| 2015 | \$624,587 |
| 2020 | \$246,856 |
| 2025 | \$3,720 |
| Source: Virginia Department of Aviation. Calculations by EDR Group. | |

305. ALTERNATIVE FINANCING METHODS

Several alternative financing methods were evaluated in this report. Currently Williamsburg-Jamestown Airport is a private¹², non-NPIAS airport; therefore, the options for financing may be limited.

Options for publicly owned airports include:

1. General obligation bond – this is generally secured by municipalities and therefore would not be an option for this airport.
2. Revenue bond/financing – this may also be done through municipalities. It is usually done at airports that have significant commercial operations and therefore may not be an option for this airport.
3. General tax fund – this may be done by the FAA giving 95%, the state providing 3% and the airport providing 2% (sometimes through the county). However, it is only possible for NPIAS airports and the qualification process is difficult.

¹² For private financing, an airport could seek out personal investors or apply for loans directly with a bank. It may, however, prove difficult for a small airport to find individual investors or to qualify for a loan. The challenge for private airports is to have the ability to justify further operation of the airport with other activity. For instance, the Williamsburg-Jamestown Airport previously had a landfill on-site. It may be possible then to leverage private investment through expanding this kind of activity at the airport.



There is also the option of state funding programs for public-use airports. According to Virginia Department of Aviation, a non-NPIAS airport is only eligible for funding through state discretionary, facilities and equipment, voluntary security, and maintenance programs. It is not eligible for federal funding or state entitlement programs.

The following programs are available for public airports (non-NPIAS) from the state of Virginia¹³:

A. Commonwealth Airport Fund

The airport would only be eligible for the state discretionary portion of this fund. The state provides 80% of the costs and the local entity provides 20% (at a maximum of \$3 million).

B. Aviation Special Fund

The Special Fund is funded through taxes on fuel and aircraft. It has temporarily been suspended due to a lack of revenue shortfall. The following programs are awarded through this fund:

1. Facilities and Equipment Program

This program provides funding for projects involving communication, navigation, and information to increase safety. The amount of funding depends on if the system will be owned by the DOAV or sponsors.

2. Voluntary Security

Funding is provided through the Virginia Security Program (VSP) for increasing security at public-use GA airports. Funding is provided for 80% of the costs.

3. Maintenance Program

This program provides funding for 80 % of one-time maintenance project, up to a maximum of \$150,000.

¹³ Information provided by the Virginia Department of Aviation, Airport Program Manual, April 2006. Updated information came from questioning people at the department.



4. Aviation Promotion and Air Service Development

Up to \$25,000 is provided for marketing efforts.

5. Air Service Development Program

Funding is provided to airports to attract or expand air services, including: air service studies, airline visits, and market research. For general aviation airports, 50% of the project cost is covered –up to \$20,000.